

MONTANA LEGISLATIVE HISTORY

Chapter 11 ^{Sp. Session 2000} ~~19~~

Bill H 4 S _____ Original bill & history ✓ c

Joint

H. Committee on Taxation

Hearing Date(s) 5/5 x c

House Taxation 5/6 x c

Joint - Tax 5/6 x c

House - Tax 5/8 x c

Date Out _____ c

Selected Senate

~~S.~~ Committee on Taxation

Hearing Date(s) 5/9 x c

5/10 x c

5/11 x c

_____ c

Did this bill originate in an interim committee? _____ Yes x No

Committee _____

Report _____

LEGISLATIVE HISTORIES

The 1997 Montana Legislature dramatically changed the nature of legislative minutes. This altered format continues with the 1999 legislative minutes. The minutes from House committees are extremely sparse in content, offering no substantive information from which to glean legislative intent. The Senate committees' minutes are fuller in content.

Exhibits, which include written statements, attendant information, roll call votes, roll call attendance, a list of those from the public who were present, and specific action taken on legislative bills, will be available only through the Historical Society Archives, 444-4774, and from a CD-ROM produced by the Legislative Services Division, 444-3064.

Just as in the 1997 legislative session, the 1999 House and Senate committee hearings were recorded. For information on accessing the tapes, or purchasing them, contact the Archives, 444-4774.

If you have concerns over the format of these legislative minutes, it is suggested that you contact your state legislators.

72-16-460, 72-16-461, 72-16-462, 72-16-463, 72-16-464, 72-16-465, 72-16-471, 72-16-472, 72-16-473, 72-16-474, 72-16-475, 72-16-476, 72-16-477, 72-16-478, 72-16-479, 72-16-480, 72-16-481, 72-16-482, 72-16-491, 72-16-492, 72-16-493, 72-16-504, 72-16-505, 72-16-701, 72-16-702, 72-16-703, 72-16-704, 72-16-705, 72-16-706, 72-16-801, 72-16-802, 72-16-803, 72-16-804, 72-16-805, AND 72-16-902, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE.

3668

- 10 *(House Bill No. 1; Ohs)* AN ACT IMPLEMENTING THE PROGRAMS THAT WERE NOT FUNDED BECAUSE OF THE INVALIDITY OF THE COAL PRODUCER'S LICENSE TAX BY STATUTORILY APPROPRIATING, FOR THE FISCAL YEARS BEGINNING JULY 1, 2001, AND ENDING JUNE 30, 2005, THE INTEREST INCOME FROM \$140 MILLION OF THE COAL SEVERANCE TAX PERMANENT FUND THAT IS DEPOSITED IN THE GENERAL FUND FOR THE COOPERATIVE DEVELOPMENT CENTER, FOR REIMBURSING TAX INCREMENT FINANCING INDUSTRIAL DISTRICTS, FOR THE GROWTH THROUGH AGRICULTURE PROGRAM, FOR BUSINESS RECRUITMENT, EXPORT TRADE ENHANCEMENT, A SMALL BUSINESS INNOVATIVE RESEARCH PROGRAM, A SMALL BUSINESS DEVELOPMENT CENTER, AND THE CERTIFIED COMMUNITIES PROGRAM, AND FOR RESEARCH AND COMMERCIALIZATION PROJECTS; STATUTORILY APPROPRIATING MONEY FOR COMMUNITY WATER AND SEWER PROJECT ENGINEERING WORK FOR EACH BIENNIUM FOR THE PERIOD BEGINNING JULY 1, 2001, AND ENDING JUNE 30, 2005; PROVIDING TEMPORARY APPROPRIATIONS TO THE BOARD OF REGENTS AND THE TREASURE STATE ENDOWMENT PROGRAM AND FOR ADMINISTRATIVE EXPENSES OF THE BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY; PROVIDING A FUND TRANSFER FOR THE CURRENT BIENNIUM FOR RESEARCH AND COMMERCIALIZATION PROJECTS; CLARIFYING THE ALLOCATIONS FOR THE TREASURE STATE ENDOWMENT PROGRAM PROJECTS AUTHORIZED IN CHAPTER 517, LAWS OF 1999; AMENDING SECTIONS 15-35-108, 17-7-502, AND 90-6-710, MCA, AND SECTIONS 2 AND 5, CHAPTER 517, LAWS OF 1999; AND PROVIDING EFFECTIVE DATES, A RETROACTIVE APPLICABILITY DATE, AND TERMINATION DATES.

3687

- 11 *(House Bill No. 4; Story)* AN ACT PROVIDING FOR A REDUCTION IN PROPERTY TAXES BY INCREASING DIRECT STATE AID TO SCHOOL DISTRICTS FROM 41.8 PERCENT TO 44.7 PERCENT; PROVIDING INCREASED STATE FUNDING OF BASIC AND PER-ANB ENTITLEMENTS; ELIMINATING THE PROPERTY TAX EXEMPTION FROM MARKET VALUE FOR CERTAIN LAND BEGINNING TAX YEAR 2002; CLARIFYING THAT THE AMOUNT OF MOTOR VEHICLE DISPOSITION ATTRIBUTABLE TO CERTAIN LEVIES IS A LOCAL GOVERNMENT REIMBURSEMENT; CLARIFYING THAT ANTICIPATED REVENUE RECEIVED DURING THE SCHOOL FISCAL YEAR INCLUDES REIMBURSEMENTS FROM LIGHT VEHICLE TAXES RECEIVED DURING FISCAL YEAR 1999; AUTHORIZING DISTRIBUTION OF REVENUE RECEIVED ACCORDING TO THE PRIOR YEAR'S MILL LEVIES; PROVIDING AN APPROPRIATION; RESERVING \$37 MILLION OF GENERAL FUND MONEY TO BE USED DURING THE BIENNIUM BEGINNING JULY 1, 2001, TO FULFILL THE LEGISLATURE'S OBLIGATION TO PROVIDE ALTERNATIVE FUNDING FOR LOCAL GOVERNMENTS AS CONTEMPLATED IN SECTIONS 167 AND 168, CHAPTER 584, LAWS OF 1999; AMENDING SECTIONS 15-6-136, 15-6-138, 15-6-201, 15-7-111, 15-8-111, 15-10-420, 20-9-141, 20-9-306, 20-9-367, 20-9-368.

MONTANA SESSION LAWS - MAY 2000 SPECIAL SESSION	3650
AND 61-3-509, MCA, AND SECTIONS 167 AND 169, CHAPTER 584, LAWS OF 1999; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY DATES.	3695

SENATE RESOLUTIONS

SR		Page
1	(Halligan) A RESOLUTION OF THE SENATE OF THE STATE OF MONTANA CONCURRING IN, CONFIRMING, AND CONSENTING TO THE NOMINATION AND APPOINTMENT MADE BY THE GOVERNOR AND SUBMITTED TO THE SENATE OF HONORABLE MICHAEL OLEN MCCARTER AS WORKERS' COMPENSATION JUDGE.	3729
2	(Keenan) A RESOLUTION OF THE SENATE OF THE STATE OF MONTANA CONCURRING IN, CONFIRMING, AND CONSENTING TO THE NOMINATION AND APPOINTMENT MADE BY THE GOVERNOR AND SUBMITTED TO THE SENATE OF HONORABLE STEWART EVANS STADLER AS DISTRICT JUDGE, ELEVENTH JUDICIAL DISTRICT, FLATHEAD COUNTY, MONTANA.	3729
3	(Jabs) A RESOLUTION OF THE SENATE OF THE STATE OF MONTANA CONCURRING IN, CONFIRMING, AND CONSENTING TO THE NOMINATION AND APPOINTMENT MADE BY THE GOVERNOR AND SUBMITTED TO THE SENATE OF HONORABLE WILLIS BLAIR JONES AS DISTRICT JUDGE, TWENTY-SECOND JUDICIAL DISTRICT, STILLWATER, CARBON, AND BIG HORN COUNTIES, MONTANA.	3730

HOUSE JOINT RESOLUTIONS

HJR		Page
1	(Story) A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REVISING THE OFFICIAL ESTIMATE, CONTAINED IN HOUSE JOINT RESOLUTION NO. 2, LAWS OF 1999, OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 2000-01 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING THE JUNE 30, 1999, GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; AND REQUESTING THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING TO USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVISED REVENUE ESTIMATES FOR FISCAL YEAR 2000 AND FOR FISCAL YEAR 2001.	3731
2	(Witt) A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA OPPOSING ANY NEW DESIGNATION FOR THE MISSOURI RIVER.	3734

HISTORY AND FINAL STATUS MAY 2000 SPECIAL SESSION

20

5/02	Committee Executive Action—Bill Passed	16	1
5/08	Referred to Appropriations		
5/08	Hearing		
5/08	Committee Executive Action—Bill Passed	16	1
5/08	Committee Report—Bill Passed		
5/08	2nd Reading Passed	86	10
5/08	3rd Reading Passed	86	10
	Transmitted to Senate		
5/08	Referred to Finance And Claims		
5/08	Hearing		
5/08	Committee Executive Action—Bill Concurred	18	0
5/08	Committee Report—Bill Concurred		
5/08	2nd Reading Concurred	49	0
5/08	3rd Reading Concurred	49	0
	Returned to House		
5/09	Sent to Enrolling		
5/09	Returned From Enrolling		
5/10	Signed by Speaker		
5/10	Signed by President		
5/11	Transmitted to Governor		
5/11	Signed by Governor		
5/12	Chapter Number Assigned		
	Chapter Number 2		
	Effective Date: 5/11/2000 - All Sections		

HB 3 Introduced by Story

LC0001 Drafter: McClure

A referendum to provide for a reduction in property taxes by increasing direct state aid to school districts from 41.8 percent to 44.7 percent;...

4/19	Fiscal Note Needed		
5/02	Fiscal Note Requested (Local Government Fiscal Impact)		
5/02	Introduced		
5/02	Referred to Taxation		
5/05	Hearing		
5/08	Referred to Taxation		
5/08	Hearing		
5/08	Fiscal Note Printed (Local Government Fiscal Impact)		
5/08	Committee Executive Action—Bill Passed as Amended	13	9
5/08	Committee Report—Bill Passed as Amended		
5/08	2nd Reading Pass Motion Failed	47	51

HB 4 Introduced by Story

LC0009 Drafter: McClure

Provide for a reduction in property taxes by increasing direct state aid to school districts from 41.8 percent to 44.7 percent;...

4/21	Fiscal Note Needed		
5/02	Fiscal Note Requested (Local Government Fiscal Impact)		
5/02	Introduced		
5/02	Referred to Taxation		
5/05	Hearing		
5/05	Fiscal Note Printed (Local Government Fiscal Impact)		
5/08	Referred to Taxation		
5/08	Hearing		
5/08	Committee Executive Action—Bill Passed as Amended	13	9
5/08	Committee Report—Bill Passed as Amended		
5/08	2nd Reading Passed	53	45
5/08	3rd Reading Passed	53	45

HOUSE BILLS AND RESOLUTIONS

Transmitted to Senate		
5/08	Referred to Select Committee on Taxation	
5/09	Hearing	
5/10	Hearing	
5/10	Hearing	
5/11	Hearing	
5/11	Committee Executive Action—Bill Concurred as Amended	12 0
5/11	Committee Report—Bill Concurred as Amended	
5/11	2nd Reading Concurred	49 0
5/11	3rd Reading Concurred	50 0
Returned to House With Amendments		
5/11	2nd Reading Senate Amendments Concurred	94 5
5/11	3rd Reading Passed as Amended by Senate	94 5
5/11	Sent to Enrolling	
5/11	Returned From Enrolling	
5/17	Signed by Speaker	
5/18	Signed by President	
5/19	Transmitted to Governor	
5/25	Signed by Governor	
5/25	Chapter Number Assigned	
	Chapter Number 11	
	Effective Date: 5/25/2000 - Sections 1-15, 17, and 18	
	Effective Date: 1/01/2001 - Section 16	

HB 5 Introduced by Molnar

LC0017 Drafter: Petesch

Provide for the refund of \$70 million to individual income taxpayers;...

4/28 Fiscal Note Needed
 5/02 Introduced
 5/02 Referred to Taxation
 5/05 Hearing
 5/05 Fiscal Note Printed
 5/08 Referred to Taxation
 5/08 Hearing
 Died in Standing Committee

HB 6 Introduced by Molnar

LC0013 Drafter: Petesch

Reduce property taxes by requiring property tax collections in excess of a calculated amount to be refunded;...

4/24 Fiscal Note Needed
 5/02 Fiscal Note Requested (Local Government Fiscal Impact)
 5/03 Introduced
 5/03 Referred to Taxation
 5/05 Fiscal Note Printed (Local Government Fiscal Impact)
 5/05 Hearing
 5/08 Referred to Taxation
 5/08 Hearing
 Died in Standing Committee

HB 7 Introduced by Younkin

LC0022 Drafter: Petesch

Repeal state inheritance taxes;...

5/04 Fiscal Note Needed
 5/09 Introduced
 5/09 Referred to Taxation
 5/10 Hearing

HOUSE BILL NO. 4

INTRODUCED BY B. STORY

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A REDUCTION IN PROPERTY TAXES BY INCREASING DIRECT STATE AID TO SCHOOL DISTRICTS FROM 41.8 PERCENT TO 44.7 PERCENT; CLARIFYING THAT THE AMOUNT OF MOTOR VEHICLE DISPOSITION ATTRIBUTABLE TO CERTAIN LEVIES IS A LOCAL GOVERNMENT REIMBURSEMENT; CLARIFYING THAT ANTICIPATED REVENUE RECEIVED DURING THE SCHOOL FISCAL YEAR INCLUDES REIMBURSEMENTS FROM LIGHT VEHICLE TAXES RECEIVED DURING FISCAL YEAR 1999; AUTHORIZING DISTRIBUTION OF REVENUE RECEIVED ACCORDING TO THE PRIOR YEAR'S MILL LEVIES; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-10-420, 20-9-141, 20-9-306, 20-9-367, 20-9-368, AND 61-3-509, MCA, AND SECTIONS 167 AND 169, CHAPTER 584, LAWS OF 1999; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-10-420, MCA, is amended to read:

"15-10-420. Procedure for calculating levy. (1) A governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year, even if that levy is greater than the levy established by law. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the value of newly taxable property.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1) plus any additional levies authorized by the voters to all property in the governmental unit, including newly taxable property.

(3) For purposes of this section, newly taxable property includes:

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;

1 (d) subdivision of real property;

2 (e) reclassification of property;

3 (f) transfer of property from tax-exempt to taxable status; and

4 (g) revaluations caused by expansion, addition, replacement, or remodeling of improvements.

5 (4) Subsection (1) does not apply to school district general fund levies and the school district levy
6 for tuition obligations established in 20-5-324(5).

7 (5) For purposes of subsection (1), taxes imposed do not include net or gross proceeds taxes
8 received under 15-6-131 and 15-6-132.

9 (6) In determining the maximum number of mills in subsection (1), the governmental entity shall
10 take into account any change from the prior year in the amount of statutory reimbursements for changes
11 in the property tax laws. The amount of motor vehicle disposition under 61-3-509(2) is a statutory
12 reimbursement. It may increase the number of mills to account for a decrease in reimbursements and shall
13 decrease the number of mills to fully account for any increase in reimbursements.

14 (7) The department shall calculate the number of mills to be imposed for purposes of 15-10-107,
15 20-9-331, 20-9-333, 20-9-360, 20-25-423, 20-25-439, and 53-2-813. However, the number of mills
16 calculated by the department may not exceed the mill levy limits established in those sections.

17 (8) The department may adopt rules to implement this section. The rules may include a method
18 for calculating the percentage of change in valuation for purposes of determining the elimination of
19 property, new improvements, or newly taxable property in a governmental unit."

20
21 **Section 2.** Section 20-9-141, MCA, is amended to read:

22 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
23 county superintendent shall compute the levy requirement for each district's general fund on the basis of
24 the following procedure:

25 (a) Determine the funding required for the district's final general fund budget less the sum of direct
26 state aid and the special education allowable cost payment for the district by totaling:

27 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as
28 provided in 20-9-303; and

29 (ii) any general fund budget amount adopted by the trustees of the district under the provisions of
30 20-9-308 and 20-9-353, including any additional funding for a general fund budget that exceeds the

1 maximum general fund budget.

2 (b) Determine the money available for the reduction of the property tax on the district for the
3 general fund by totaling:

4 (i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

5 (ii) actual amounts received in fiscal year 1999 for light vehicle taxes under 61-3-504;

6 ~~###~~(iii) amounts received in the last fiscal year for which revenue reporting was required for each
7 of the following:

8 (A) revenue from taxes and fees imposed under 23-2-517, 23-2-803, 61-3-521, 61-3-527,
9 61-3-529, and 67-3-204;

10 (B) interest earned by the investment of general fund cash in accordance with the provisions of
11 20-9-213(4); and

12 (C) any other revenue received during the school fiscal year that may be used to finance the
13 general fund, excluding any guaranteed tax base aid; and

14 ~~(D) reimbursements for unrealized motor vehicle tax revenue, as provided in 61-3-509(1);~~

15 ~~###~~(iv) anticipated tuition payments for out-of-district pupils under the provisions of 20-5-321
16 through 20-5-323, except the amount of tuition received for a pupil who is a child with a disability in
17 excess of the amount received for a pupil without disabilities, as calculated under 20-5-323(2);

18 ~~(iv) anticipated revenue from taxes and fees imposed under 61-3-504 and 61-3-537, which for the~~
19 ~~fiscal year beginning July 1, 2000, may not be less than 75% of the previous year's revenue from these~~
20 ~~sources;~~

21 (v) anticipated oil and natural gas production taxes;

22 (vi) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703 and
23 property tax reimbursements under 15-1-111, 15-1-112, and section 167, Chapter 584, Laws of 1999;
24 and

25 (vii) anticipated revenue from corporation license taxes collected from financial institutions under
26 the provisions of 15-31-702.

27 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the
28 property tax required to finance the general fund that has been determined in subsection (1)(b) from any
29 general fund budget amount adopted by the trustees of the district, up to the BASE budget amount, to
30 determine the general fund BASE budget levy requirement.

1 (d) Subtract any amount remaining after the determination in subsection (1)(c) from any additional
2 funding requirement to be met by an over-BASE budget amount, a district levy as provided in 20-9-303,
3 and any additional financing as provided in 20-9-353 to determine any additional general fund levy
4 requirements.

5 (2) The county superintendent shall calculate the number of mills to be levied on the taxable
6 property in the district to finance the general fund levy requirement for any amount that does not exceed
7 the BASE budget amount for the district by dividing the amount determined in subsection (1)(c) by the sum
8 of:

9 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as
10 certified by the superintendent of public instruction; and

11 (b) the current total taxable valuation of the district, as certified by the department of revenue
12 under 15-10-202, divided by 1,000.

13 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be
14 reported to the county commissioners on the fourth Monday of August by the county superintendent as
15 the general fund net levy requirement for the district, and a levy must be set by the county commissioners
16 in accordance with 20-9-142.

17 (4) For each school district, the department of revenue shall calculate and report to the county
18 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross
19 proceeds under 15-23-703 and property tax reimbursements under 15-1-111, 15-1-112, and section 167,
20 Chapter 584, Laws of 1999."

21

22 **Section 3.** Section 20-9-306, MCA, is amended to read:

23 **"20-9-306. (Temporary) Definitions.** As used in this title, unless the context clearly indicates
24 otherwise, the following definitions apply:

25 (1) "BASE" means base amount for school equity.

26 (2) "BASE aid" means:

27 (a) direct state aid for 41.1% of the basic entitlement and 41.1% of the total per-ANB entitlement
28 for the general fund budget of a district; and

29 (b) guaranteed tax base aid for an eligible district for any amount up to 38.9% of the basic
30 entitlement, up to 38.9% of the total per-ANB entitlement budgeted in the general fund budget of a

1 district, and up to 40% of the special education allowable cost payment.

2 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of
3 the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education
4 allowable cost payment.

5 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which
6 may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366
7 through 20-9-369.

8 (5) "BASE funding program" means the state program for the equitable distribution of the state's
9 share of the cost of Montana's basic system of public elementary schools and high schools, through
10 county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in
11 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as
12 provided in 20-9-321.

13 (6) "Basic entitlement" means:

14 (a) \$200,000 for each high school district;

15 (b) \$18,000 for each elementary school district or K-12 district elementary program without an
16 approved and accredited junior high school or middle school; and

17 (c) the prorated entitlement for each elementary school district or K-12 district elementary program
18 with an approved and accredited junior high school or middle school, calculated as follows:

19 (i) \$18,000 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of
20 kindergarten through grade 8; plus

21 (ii) \$200,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten
22 through grade 8.

23 (7) "Direct state aid" means 41.1% of the basic entitlement and 41.1% of the total per-ANB
24 entitlement for the general fund budget of a district and funded with state and county equalization aid.

25 (8) "Maximum general fund budget" means a district's general fund budget amount calculated
26 from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153%
27 of special education allowable cost payments.

28 (9) "Over-BASE budget levy" means the district levy in support of any general fund amount
29 budgeted that is above the BASE budget and below the maximum general fund budget for a district.

30 (10) "Total per-ANB entitlement" means the district entitlement resulting from the following

1 calculations:

2 (a) for a high school district or a K-12 district high school program, a maximum rate of \$4,821
3 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up
4 through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th
5 ANB;

6 (b) for an elementary school district or a K-12 district elementary program without an approved
7 and accredited junior high school or middle school, a maximum rate of \$3,529 for the first ANB is
8 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB,
9 with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

10 (c) for an elementary school district or a K-12 district elementary program with an approved and
11 accredited junior high school or middle school, the sum of:

12 (i) a maximum rate of \$3,529 for the first ANB for kindergarten through grade 6 is decreased at
13 the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess
14 of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

15 (ii) a maximum rate of \$4,821 for the first ANB for grades 7 and 8 is decreased at the rate of 50
16 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess
17 of 800 receiving the same amount of entitlement as the 800th ANB. (Terminates June 30, 2000--sec. 10,
18 Ch. 211, L. 1999.)

19 **20-9-306. (Effective July 1, 2000) Definitions.** As used in this title, unless the context clearly
20 indicates otherwise, the following definitions apply:

21 (1) "BASE" means base amount for school equity.

22 (2) "BASE aid" means:

23 (a) direct state aid for ~~41.8%~~ 44.7% of the basic entitlement and ~~41.8%~~ 44.7% of the total
24 per-ANB entitlement for the general fund budget of a district; and

25 (b) guaranteed tax base aid for an eligible district for any amount up to ~~38.2%~~ 35.3% of the basic
26 entitlement, up to ~~38.2%~~ 35.3% of the total per-ANB entitlement budgeted in the general fund budget of
27 a district, and up to 40% of the special education allowable cost payment.

28 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of
29 the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education
30 allowable cost payment.

1 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which
2 may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366
3 through 20-9-369.

4 (5) "BASE funding program" means the state program for the equitable distribution of the state's
5 share of the cost of Montana's basic system of public elementary schools and high schools, through
6 county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in
7 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as
8 provided in 20-9-321.

9 (6) "Basic entitlement" means:

10 (a) \$200,000 for each high school district;

11 (b) \$18,000 for each elementary school district or K-12 district elementary program without an
12 approved and accredited junior high school or middle school; and

13 (c) the prorated entitlement for each elementary school district or K-12 district elementary program
14 with an approved and accredited junior high school or middle school, calculated as follows:

15 (i) \$18,000 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of
16 kindergarten through grade 8; plus

17 (ii) \$200,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten
18 through grade 8.

19 (7) "Direct state aid" means ~~41.8%~~ 44.7% of the basic entitlement and ~~41.8%~~ 44.7% of the total
20 per-ANB entitlement for the general fund budget of a district and funded with state and county equalization
21 aid.

22 (8) "Maximum general fund budget" means a district's general fund budget amount calculated
23 from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153%
24 of special education allowable cost payments.

25 (9) "Over-BASE budget levy" means the district levy in support of any general fund amount
26 budgeted that is above the BASE budget and below the maximum general fund budget for a district.

27 (10) "Total per-ANB entitlement" means the district entitlement resulting from the following
28 calculations:

29 (a) for a high school district or a K-12 district high school program, a maximum rate of \$4,869
30 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up

1 through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th
2 ANB;

3 (b) for an elementary school district or a K-12 district elementary program without an approved
4 and accredited junior high school or middle school, a maximum rate of \$3,653 for the first ANB is
5 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB,
6 with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

7 (c) for an elementary school district or a K-12 district elementary program with an approved and
8 accredited junior high school or middle school, the sum of:

9 (i) a maximum rate of \$3,653 for the first ANB for kindergarten through grade 6 is decreased at
10 the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess
11 of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

12 (ii) a maximum rate of \$4,869 for the first ANB for grades 7 and 8 is decreased at the rate of 50
13 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess
14 of 800 receiving the same amount of entitlement as the 800th ANB."

15
16 **Section 4.** Section 20-9-367, MCA, is amended to read:

17 **"20-9-367. (Temporary) Eligibility to receive guaranteed tax base aid or state advance or**
18 **reimbursement for school facilities.** (1) If the district guaranteed tax base ratio of any elementary or high
19 school district is less than the corresponding statewide elementary or high school guaranteed tax base
20 ratio, the district may receive guaranteed tax base aid based on the number of mills levied in the district
21 in support of up to 38.9% of the basic entitlement, up to 38.9% of the total per-ANB entitlement, and up
22 to 40% of the special education allowable cost payment budgeted within the general fund budget.

23 (2) If the county retirement mill value per elementary ANB or the county retirement mill value per
24 high school ANB is less than the corresponding statewide mill value per elementary ANB or high school
25 ANB, the county may receive guaranteed tax base aid based on the number of mills levied in the county
26 in support of the retirement fund budgets of the respective elementary or high school districts in the
27 county.

28 (3) For the purposes of 20-9-370 and 20-9-371, if the district mill value per elementary ANB or
29 the district mill value per high school ANB is less than the corresponding statewide mill value per
30 elementary ANB or statewide mill value per high school ANB, the district may receive a state advance or

1 reimbursement for school facilities in support of the debt service fund. (Terminates June 30, 2000--sec.
2 10, Ch. 211, L. 1999.)

3 **20-9-367. (Effective July 1, 2000) Eligibility to receive guaranteed tax base aid or state advance**
4 **or reimbursement for school facilities.** (1) If the district guaranteed tax base ratio of any elementary or high
5 school district is less than the corresponding statewide elementary or high school guaranteed tax base
6 ratio, the district may receive guaranteed tax base aid based on the number of mills levied in the district
7 in support of up to ~~38.2%~~ 35.3% of the basic entitlement, up to ~~38.2%~~ 35.3% of the total per-ANB
8 entitlement, and up to 40% of the special education allowable cost payment budgeted within the general
9 fund budget.

10 (2) If the county retirement mill value per elementary ANB or the county retirement mill value per
11 high school ANB is less than the corresponding statewide mill value per elementary ANB or high school
12 ANB, the county may receive guaranteed tax base aid based on the number of mills levied in the county
13 in support of the retirement fund budgets of the respective elementary or high school districts in the
14 county.

15 (3) For the purposes of 20-9-370 and 20-9-371, if the district mill value per elementary ANB or
16 the district mill value per high school ANB is less than the corresponding statewide mill value per
17 elementary ANB or statewide mill value per high school ANB, the district may receive a state advance or
18 reimbursement for school facilities in support of the debt service fund."

19
20 Section 5. Section 20-9-368, MCA, is amended to read:

21 **"20-9-368. (Temporary) Amount of guaranteed tax base aid.** (1) The amount of guaranteed tax
22 base aid per ANB that a county may receive in support of the retirement fund budgets of the elementary
23 school districts in the county is the difference between the county mill value per elementary ANB and the
24 statewide mill value per elementary ANB, multiplied by the number of mills levied in support of the
25 retirement fund budgets for the elementary districts in the county.

26 (2) The amount of guaranteed tax base aid per ANB that a county may receive in support of the
27 retirement fund budgets of the high school districts in the county is the difference between the county mill
28 value per high school ANB and the statewide mill value per high school ANB, multiplied by the number of
29 mills levied in support of the retirement fund budgets for the high school districts in the county.

30 (3) The amount of guaranteed tax base aid that a district may receive in support of up to 38.9%

1 of the basic entitlement, up to 38.9% of the total per-ANB entitlement budgeted within the general fund
2 budget, and up to 40% of the special education payment is calculated in the following manner:

3 (a) multiply the sum of the district's direct state aid and 40% of the special education allowable
4 cost payment by the corresponding statewide guaranteed tax base ratio;

5 (b) subtract the taxable valuation of the district from the product obtained in subsection (3)(a);
6 and

7 (c) divide the remainder by 1,000 to determine the equivalent to the dollar amount of guaranteed
8 tax base aid for each mill levied.

9 (4) Guaranteed tax base aid provided to any county or district under this section is earmarked to
10 finance the fund or portion of the fund for which it is provided. If a county or district receives more
11 guaranteed tax base aid than it is entitled to, the excess must be returned to the state as required by
12 20-9-344. (Terminates June 30, 2000--sec. 10, Ch. 211, L. 1999.)

13 **20-9-368. (Effective July 1, 2000) Amount of guaranteed tax base aid.** (1) The amount of
14 guaranteed tax base aid per ANB that a county may receive in support of the retirement fund budgets of
15 the elementary school districts in the county is the difference between the county mill value per elementary
16 ANB and the statewide mill value per elementary ANB, multiplied by the number of mills levied in support
17 of the retirement fund budgets for the elementary districts in the county.

18 (2) The amount of guaranteed tax base aid per ANB that a county may receive in support of the
19 retirement fund budgets of the high school districts in the county is the difference between the county mill
20 value per high school ANB and the statewide mill value per high school ANB, multiplied by the number of
21 mills levied in support of the retirement fund budgets for the high school districts in the county.

22 (3) The amount of guaranteed tax base aid that a district may receive in support of up to ~~38.2%~~
23 35.3% of the basic entitlement, up to ~~38.2%~~ 35.3% of the total per-ANB entitlement budgeted within the
24 general fund budget, and up to 40% of the special education payment is calculated in the following
25 manner:

26 (a) multiply the sum of the district's BASE budget amount less direct state aid by the
27 corresponding statewide guaranteed tax base ratio;

28 (b) subtract the taxable valuation of the district from the product obtained in subsection (3)(a);
29 and

30 (c) divide the remainder by 1,000 to determine the equivalent to the dollar amount of guaranteed

1 tax base aid for each mill levied.

2 (4) Guaranteed tax base aid provided to any county or district under this section is earmarked to
3 finance the fund or portion of the fund for which it is provided. If a county or district receives more
4 guaranteed tax base aid than it is entitled to, the excess must be returned to the state as required by
5 20-9-344."

6
7 Section 6. Section 61-3-509, MCA, is amended to read:

8 "61-3-509. Disposition of taxes. (1) Except as provided in subsection ~~(2)~~ (3), the county treasurer
9 shall, after deducting the district court fee, credit all taxes on motor vehicles and fees in lieu of tax on
10 motorcycles, quadricycles, motor homes, travel trailers, campers, trailers, pole trailers, semitrailers, buses,
11 trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors collected under
12 61-3-504, 61-3-521, 61-3-527, 61-3-529, and 61-3-537, to a motor vehicle suspense fund. At some time
13 between March 1 and March 10 of each year and every 60 days after that date, the county treasurer shall
14 distribute the money in the motor vehicle suspense fund. Except for taxes collected under 61-3-504, the
15 county treasurer shall distribute the money in the fund in the relative proportions required by the levies for
16 state, county, school district, and municipal purposes in the same manner as personal property taxes are
17 distributed.

18 (2) For Except as provided in subsection (3), for money in the fund collected under 61-3-504, the
19 county treasurer shall disregard the statewide mills levied for the university system and the mills levied for
20 state equalization aid under 20-9-331, 20-9-333, and 20-9-360 in determining distribution proportions of
21 the money and may not distribute money from 61-3-504 to the state for either levy those levies. Money
22 collected under 61-3-504 that previously was distributed pursuant to levies imposed by 15-10-107,
23 20-9-331, 20-9-333, and 20-9-360 is a local government reimbursement for the purposes of 15-10-420.
24 If the distribution of money collected under 61-3-504 to a school district general fund results in a lower
25 revenue than the district received in fiscal year 1999 and the district has, for all years after fiscal year
26 1999, received less revenue than in fiscal year 1999, then the district general fund is entitled to state
27 reimbursement for the amount of the difference between the fiscal year 1999 revenue and the prior school
28 fiscal year revenue under 61-3-504. Prior to January 31, the office of public instruction shall distribute
29 to each school district an amount equal to the state reimbursement for the prior school year.

30 ~~(2)~~(3) The county treasurer shall deduct as a district court fee 10% of the amount of the tax

1 collected on light vehicles under 61-3-504(1). The county treasurer shall credit the fee for district courts
2 to a separate suspense account and shall forward the amount in the account to the state treasurer at the
3 time that the county treasurer distributes money from the motor vehicle suspense fund. The state treasurer
4 shall credit amounts received under this subsection to the state special revenue fund to be used for
5 purposes of state funding of district court expenses as provided in 3-5-901."

6
7 **Section 7.** Section 167, Chapter 584, Laws of 1999, is amended to read:

8 **"Section 167. Reimbursement to counties, cities, towns, and consolidated city-county**
9 **governments for losses in revenue.** (1) (a) The department of revenue shall determine the amount of tax
10 and other revenue lost by each local government unit as a result of the enactment of House Bill No. 128,
11 House Bill No. 174, House Bill No. 420, House Bill No. 658, Senate Bill No. 200, and Senate Bill No. 530
12 for fiscal year 2000 and for fiscal year 2001. The determination must be made by August 15, 1999, for
13 fiscal year 2000, and by March 15, 2000, for fiscal year 2001. The department shall use fiscal year 1998
14 as its base year for each determination.

15 (b) As used in this section, "local government unit" means a county, city, or town capable of
16 levying mills, consolidated city-county government, school district, miscellaneous district, or other local
17 district that levies mills. The term does not include the state.

18 (c) The department shall determine the amount of tax and other revenue due each local
19 government unit for fiscal year 1998 from the following sources:

20 (i) property taxes levied by each local government unit within each county or consolidated
21 city-county government for fiscal year 1998, but excluding any mills levied by the state pursuant to
22 ~~{section 1 of Senate Bill No. 79}~~ 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-439, and 53-2-813;
23 and

24 (ii) oil and gas production taxes levied and distributed as provided for in Title 15, chapter 36.

25 (2) The department shall calculate for each local government unit for fiscal year 1998 the amount
26 of tax and other revenue that would have been due each local government unit from the sources listed in
27 subsection (1) if House Bill No. 128, House Bill No. 174, House Bill No. 420, House Bill No. 658, Senate
28 Bill No. 200, and Senate Bill No. 530 had been in effect for fiscal year 1998.

29 (3) In making the calculation provided for in subsection (2), the department shall take into account
30 any benefit to a local government unit that levied mills against electrical generation property in fiscal year

1 1998 from any increase in the assessed value of electrical generation property stemming from the sale of
2 electrical generation assets subsequent to tax year 1997.

3 (4) (a) Each county, city, town, and consolidated city-county government that in aggregate lost
4 tax revenue in a particular year, based on the difference between the calculation in subsections (1)(c) and
5 (2), must receive the same percentage of the appropriation for local government reimbursements as the
6 appropriation bears to the total amount of loss for all local government units in this state. Payments must
7 be made in two similar installments for each fiscal year on or about December 15 and June 15. Each
8 county, city, town, and consolidated city-county government is authorized to distribute the revenue
9 received among its funds and districts according to ~~current~~ the prior year year's mill levies. Except as
10 provided in ~~subsections~~ subsection (4)(b), each tax increment financing district must receive the benefit
11 of the reimbursement based on the loss to the incremental taxable value of the district.

12 (b) A tax increment financing district that consists of an industrial district created under 7-15-4299
13 may not receive any reimbursement under subsection (4)(a).

14 (5) The amount of loss calculated in subsection (2), converted to taxable value by multiplying by
15 the applicable mill levy, ~~shall~~ must be added to the taxable value of taxing units to determine their bonding
16 limits.

17 (6) (a) A charter form of local government that has a charter provision that prohibits an increase
18 in the number of mills that may be levied to compensate for the loss of taxable value, as authorized in
19 ~~[section 11]~~ 15-10-420, is entitled to further reimbursement in addition to that computed under subsections
20 (1) through (5) of this section.

21 (b) The amount of reimbursement is equal to the difference between the amount of the
22 reimbursement calculated under subsections (1) through (5) and the amount of property tax imposed in
23 tax year 1998. If the amount appropriated for the reimbursement under this subsection (6) is insufficient
24 to fully fund all the jurisdictions entitled to reimbursement, the payments must be prorated to the
25 jurisdictions. The payments must be made with the payments made under subsections (1) through (5)."

26
27 **Section 8.** Section 169, Chapter 584, Laws of 1999, is amended to read:

28 "Section 169. Funding -- appropriations. (1) The committees established in [section 168] may
29 receive gifts, grants, and donations. The money received must be used for fulfilling the duties of the
30 committees, for reimbursing the expenses of committee members, or for providing staff for the

1 committees. The money received must be placed in a special revenue fund account to the credit of the
2 department of administration.

3 (2) In addition to any funds received pursuant to subsection (1), there is appropriated \$55,000
4 from the general fund to the committees created pursuant to the provisions of [section 168] for the
5 biennium for the operating expenses and personnel expenses of the committees.

6 (3) There is appropriated to the office of public instruction from the general fund \$1,980,000 for
7 BASE aid for the biennium ending June 30, 2001.

8 ~~(4) There is appropriated to the office of public instruction from the general fund \$2,229,934 for~~
9 ~~state reimbursements for motor vehicle fee reductions under 61-3-509.~~

10 ~~(5)(4)~~ There is transferred from the general fund \$691,246 for the fiscal year ending June 30,
11 2000, and \$1,774,042 for the fiscal year ending June 30, 2001, to the state special revenue fund
12 referenced in ~~[section 1 of Senate Bill No. 79]~~ 15-10-107.

13 ~~(6)(5)~~ There is appropriated from the general fund \$12,900,000 for the fiscal year ending June
14 30, 2000, and \$54,934,392 for the fiscal year ending June 30, 2001, to the department of revenue for
15 the reimbursements calculated in [section 167(1) through (5)].

16 ~~(7)(6)~~ There is appropriated from the general fund \$1.5 million for the biennium ending June 30,
17 2001, to the department of revenue for the costs of administration.

18 ~~(8)(7)~~ There is appropriated from the general fund \$2.15 million for the biennium ending June 30,
19 2001, to the department of revenue for the reimbursements calculated in [section 167(6)].

20 ~~(9)(8)~~ There is appropriated from the general fund \$600,000 to the department of revenue for the
21 biennium ending June 30, 2001, for reimbursement to tax increment financing districts created pursuant
22 to 7-15-4299.

23 ~~(10)(9)~~ The governor shall include the sum of the reimbursements in this section in the present
24 law base budget prepared for the 57th legislative session."
25

26 **NEW SECTION. Section 9. Appropriation.** There is appropriated \$10 million from the general fund
27 to the office of public instruction for K-12 BASE aid for the school fiscal year beginning July 1, 2000.
28

29 **NEW SECTION. Section 10. Coordination instruction.** (1) If [this act] is passed and approved and
30 if Chapter 515, Laws of 1999, is approved by the electorate, then [section 6 of this act] is void and

1 [section 34], Chapter 515, Laws of 1999, amending 61-3-509, must read as follows:

2 "61-3-509. Disposition of taxes. (1) All registration fees imposed by [section 2, Chapter 515,
3 Laws of 1999] from light vehicles, all registration fees imposed by 61-3-522 from motor homes, all fees
4 in lieu of tax imposed by 61-3-527 from motorcycles and quadricycles, and all fees imposed by 61-3-529
5 from buses, motor vehicles having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
6 for which a license is sought and an original application for title that includes a manufacturer's statement
7 of origin is made, must be remitted to the state treasurer every 30 days. The state treasurer shall credit
8 the payments to the highway restricted state special revenue account.

9 ~~(1)~~ (2) Except as provided in ~~subsection (2)~~ subsections (1) and (3), the county treasurer shall, after
10 deducting the district court fee, credit all taxes on motor vehicles, and registration fees in lieu of tax on
11 light vehicles, and fees in lieu of tax on motorcycles, quadricycles, motor homes, travel trailers, campers,
12 trailers, pole trailers, semitrailers, buses, trucks having a manufacturer's rated capacity of more than 1 ton,
13 and truck tractors collected under [section 2, Chapter 515, Laws of 1999], 61-3-504, 61-3-521,
14 61-3-527, 61-3-529, and 61-3-537, to a motor vehicle suspense fund. At some time between March 1
15 and March 10 of each year and every 60 days after that date, the county treasurer shall distribute the
16 money in the motor vehicle suspense fund. Except for taxes registration fees collected under 61-3-504
17 [section 2, Chapter 515, Laws of 1999], the county treasurer shall distribute the money in the fund in the
18 relative proportions required by the levies for state, county, school district, and municipal purposes in the
19 same manner as personal property taxes are distributed. For money in the fund collected under 61-3-504
20 [section 2, Chapter 515, Laws of 1999] and 61-3-527, the county treasurer shall disregard the statewide
21 mills levied for the university system, county elementary and high school equalization under 20-9-331 and
22 20-9-333, and the mills levied for state equalization aid under 20-9-360, and the mills levied for state
23 assumption of public assistance under 53-2-813 in determining distribution proportions of the money and
24 may not distribute money from 61-3-504 collected under [section 2, Chapter 515, Laws of 1999] and
25 61-3-527 to the state for either levy those levies. If the distribution of money collected under 61-3-504
26 [section 2, Chapter 515, Laws of 1999] and 61-3-527 to a school district general fund results in a lower
27 revenue than the district received in fiscal year 1999 and the district has, for all years after fiscal year
28 1999, received less revenue than in fiscal year 1999, then the district general fund is entitled to state
29 reimbursement for the amount of the difference between the fiscal year 1999 revenue and the prior school
30 fiscal year revenue under 61-3-504, as that section read on September 30, 1999, and the current year

1 distribution of collections under [section 2, Chapter 515, Laws of 1999] and 61-3-527. Prior to January
2 31, the office of public instruction shall distribute to each school district an amount equal to the state
3 reimbursement for the prior school year.

4 ~~(2)(3)~~ The county treasurer shall deduct as a district court fee 10% of the amount of the ~~tax~~
5 registration fee collected on light vehicles under ~~61-3-504(1)~~ [section 2, Chapter 515, Laws of 1999]. The
6 county treasurer shall credit the fee for district courts to a separate suspense account and shall forward
7 the amount in the account to the state treasurer at the time that the county treasurer distributes money
8 from the motor vehicle suspense fund. The state treasurer shall credit amounts received under this
9 subsection to the state special revenue fund to be used for purposes of state funding of district court
10 expenses as provided in 3-5-901."

11 (2) If [this act] is passed and approved and if Chapter 515, Laws of 1999, is approved by the
12 electorate, then 61-3-537 must read as follows:

13 "61-3-537. (Temporary) Local option vehicle tax or flat fee. (1) A county may impose a local
14 vehicle tax on vehicles subject to ~~a tax~~ the registration fee imposed under ~~61-3-504~~ [section 2, Chapter
15 515, Laws of 1999] at a rate of up to 0.7% of the value determined under 61-3-503 or a local flat fee,
16 in addition to the ~~tax fee~~ imposed under ~~61-3-504~~ [section 2, Chapter 515, Laws of 1999].

17 (2) A local vehicle tax or flat fee is payable at the same time and in the same manner as the ~~tax~~
18 fee imposed under ~~61-3-504~~ [section 2, Chapter 515, Laws of 1999]. The first priority of the local vehicle
19 tax or flat fee is for district court funding, and the tax or fee is distributed as follows:

20 (a) 50% to the county; and

21 (b) the remaining 50% to the county and the incorporated cities and towns within the county,
22 apportioned on the basis of population. The distribution to a city or town is determined by multiplying the
23 amount of money available by the ratio of the population of the city or town to the total county population.
24 The distribution to the county is determined by multiplying the amount of money available by the ratio of
25 the population of unincorporated areas within the county to the total county population.

26 (3) The governing body of a county may impose, revise, or revoke a local vehicle tax or flat fee
27 if the imposition, revision, or revocation of the tax or fee is approved by the electorate of the county. The
28 imposition, revision, or revocation of the tax or fee is effective on January 1 following its approval by the
29 electorate. The county governing body by resolution may provide for the distribution of the local vehicle
30 tax or flat fee. (Terminates June 30, 2005--sec. 2, 3, Ch. 217, L. 1995.)

1 **61-3-537. (Effective July 1, 2005) Local option vehicle tax or flat fee.** (1) A county may impose
2 a local vehicle tax on vehicles subject to ~~a tax~~ the registration fee imposed under ~~61-3-504~~ [section 2,
3 Chapter 515, Laws of 1999] at a rate of up to 0.7% of the value determined under 61-3-503 or a local
4 flat fee, in addition to the ~~tax fee~~ imposed under 61-3-504 [section 2, Chapter 515, Laws of 1999].

5 (2) A local vehicle tax or flat fee is payable at the same time and in the same manner as the ~~tax~~
6 ~~fee~~ imposed under 61-3-504 [section 2, Chapter 515, Laws of 1999] and is distributed in the same
7 manner, based on the registration address of the owner of the motor vehicle.

8 (3) The governing body of a county may impose, revise, or revoke a local vehicle tax or flat fee
9 if the imposition, revision, or revocation of the tax or fee is approved by the electorate of the county. The
10 imposition, revision, or revocation of the tax or fee is effective on January 1 following its approval by the
11 electorate."

12 (3) If [this act] is passed and approved and if Chapter 515, Laws of 1999, is approved by the
13 electorate, then [section 38, Chapter 515, Laws of 1999] is void.

14
15 **NEW SECTION. Section 11. Contingent voidness.** If [this act] is passed and approved, then [LC
16 1] is void.

17
18 **NEW SECTION. Section 12. Effective dates -- applicability.** (1) Except as provided in subsection
19 (2), [this act] is effective on passage and approval, and [sections 3 through 5] apply to school budgets for
20 school fiscal years beginning on or after July 1, 2000.

21 (2) [Section 10] is effective January 1, 2001.

22 - END -

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

JOINT COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on May 5, 2000 at 9:00 A.M., in the Auditorium of the Scott Hart Building.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. Vicki Cocchiarella (D)
Sen. Mack Cole (R)
Sen. Dorothy Eck (D)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis (R)
Sen. Bill Glaser (R)
Sen. Lorents Grosfield (R)
Sen. Walter McNutt (R)
Sen. Spook Stang (D)

Rep. Chase Hibbard, Chairman (R)
Rep. Robert R. Story, Jr., Vice Chairman (R)
Rep. Shiell Anderson (R)
Rep. Gary Beck (D)
Rep. Edith J. Clark (R)
Rep. Rick Dale (R)
Rep. Bob Davies (R)
Rep. Ron Erickson (D)
Rep. Kim Gillan (D)
Rep. Mary Anne Guggenheim (D)
Rep. Marian Hanson (R)
Rep. Hal Harper (D)
Rep. Dan W. Harrington (D)
Rep. John L. Holden (R)
Rep. Verdell Jackson (R)
Rep. Joe McKenney (R)
Rep. Robert J. Pavlovich (D)
Rep. Bob Raney (D)
Rep. William Rehbein (R)
Rep. John Rose (R)
Rep. Trudi Schmidt (D)

Members Excused: Sen. John C. Bohlinger (R)
Rep. Daniel C. Fuchs (R)
Rep. Roger Somerville (R)

Members Absent: Rep. Scott J. Orr (R)

Staff Present: Lee Heiman, Legislative Branch
Jeff Martin, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJR 1, 5/5/2000;
SB 1, 5/5/2000;
SB 5, 5/5/2000;
HB 3, 5/5/2000;
HB 4, 5/5/2000;
HB 5, 5/5/2000;
HB 6, 5/5/2000;
SB 4, 5/5/2000;
SB 2, 5/5/2000

Executive Action: None

{Tape : 1; Side : A; Approx. Time Counter : 11.8}

HEARING ON HJR 1

Sponsor: REP. ROBERT STORY, HD. 24, PARK CITY

Informational Testimony: Terry Johnson, LFD

Proponents: None.

Opponents: Lance Melton, Montana School Boards Assn.

Opening Statement by Sponsor:

REP. ROBERT STORY, HD 24, PARK CITY, presented HJR 1, which is a revision of the revenue estimate. He said revenue collections have exceeded what was expected at the end of the last session, mostly because of increased collections of individual income tax and increased revenue in the oil industry. He said presently projected receipts are approximately \$72 million over what was expected. The purpose of this resolution is to update the information regarding ending-fund balances.

{Tape : 1; Side : A; Approx. Time Counter : 16.7}

{Tape : 3; Side : B; Approx. Time Counter : 5.8}

HEARING ON HB 3 AND HB 4

Sponsor: REP. BOB STORY, HD 24, PARK CITY

Proponents: SEN. BILL GLASER, Huntley
Alec Hanson, Montana League of Cities and Towns

Opponents: Madalyn Quinlan, Office of Public Instruction
Tom Bilodeau, MEA-MFT
Lance Melton, Montana School Boards Association
Dave Puyear, Montana Rural Education Association

Opening Statement by Sponsor:

REP. BOB STORY, HD 24, PARK CITY, said HB 3 and HB 4 are exactly the same bill, except that HB 3 will not have an appropriation in it. He said they both do the same things, so for purposes of this hearing he will just refer to HB 4.

REP. STORY said HB 4 has two main fiscal impacts: 1) increases the amount of direct state aid the state puts into the schools systems, thereby decreasing local property taxes, and 2) almost fully reimburses SB 260, the vehicle bill of the last session, so the local governments and school districts are made practically whole for the revenue loss from that bill, which in turn will also cause a reduction in local property taxes. The other thing the bill does is on page 3, line 5, requires schools, when they estimate their motor vehicle money, to use their actual '99 collection figure. The reason for that is that under both SB 260 and HB 540, which will be on the ballot this fall, guarantees schools that they will be reimbursed for that number. We're not at the point in time that we know what that number is and so there is no point in allowing schools to estimate some other number. The other thing that the bill does is clarifies where the money on a new vehicle bought and registered in Montana goes under HB 540. REP. STORY provided a handout which laid out the two main impacts of the bill, EXHIBIT(tas00a22).

{Tape : 3; Side : B; Approx. Time Counter : 17.7}

Proponents' Testimony:

SEN. BILL GLASER, Huntley, spoke in support of HB 4. He said it is mostly good ongoing tax policy. He said this bill is a micro step to where the state must be going in the future. This bill does three things: 1) deals with revenue for automobiles to local

governments and schools; 2) increases the State's share of funding for schools, and 3) and it fixes the revenue flow problems in **HB 540**. This bill has significant tax changes in it and it is a good tax and fiscal bill.

Alec Hanson, Montana League of Cities and Towns, said that motor vehicle taxes are important to local governments. This corrects the new car error in **HB 540** and is a step in the right direction. He said dealing with some of the errors and holes that have been created is important because it honors promises made to local government to reimburse for the losses created by bills passed in the last legislature.

{Tape : 3; Side : B; Approx. Time Counter : 29.2}

Opponents' Testimony:

Madalyn Quinlan, Chief of Staff, Office of Public Instruction, provided written testimony in opposition of **HB 3** and **HB 4**, **EXHIBIT(tas00a23)**. She said property tax relief is a noble goal, but this proposal will provide property tax relief at the expense of quality educational programs.

Tom Bilodeau, MEA-MFT, said a special session is not the time or place to further complicate FY 2001 revenue planning. Neither is it the time or place to impose tax substitution legislation that would grow in General Fund cost over future years and further erode prospects for "real dollar" gains in state support for public education and state and local government services. He provided a handout which reflected a breakdown of educational funding for school districts, **EXHIBIT(tas00a24)**.

Lance Melton, Montana School Boards Association, said that the third page of his testimony from this morning comes down to the crux of this particular bill. He said the last legislature passed DSA and cap relief. There are two primary problems in school funding right now, and this attempts to solve one of those major problems, that is the over-reliance on local property taxes. He said in his opinion, raising the DSA should occur hand-in-hand in the same bill that considers how much can you afford to increase the per ANB amounts. The DSA helps the local property taxpayer, which makes it easier for those districts that are not capped to perhaps cap their levies. But if it is done without considering what effect that has on the ability to raise the per ANB amount, you buy yourself into a problem that you may not be able to get out of. He said this issue would probably best be held for a regular session.

Dave Puyear, Montana Rural Education Association, said he concurred with Mr. Melton's comments. In regards to these two particular measures, they have concerns about them, but if this is the direction the legislature is moving, he urged the committee to consider the two factors that Mr. Melton mentioned very carefully, the DSA and the increase in the basic entitlement. He said if we could move into the direction of 6 percent in the entitlements at the same time as there is a discussion in this direction, it would help greatly. They should be considered together.

{Tape : 3; Side : B; Approx. Time Counter : 43}

Questions from the Committee and Responses: None.

Closing by Sponsor:

REP. STORY explained the Fiscal Note for this bill. He said the cost in Fiscal Year 2001 is a net of \$12.5 million and \$13 million for the following year and \$15 million the year after that. He said assuming HB 540 passes, county governments will then have the ability to put the local option tax on that first-year vehicle that they don't have now, and that generates about \$3 million a year. He said he was disappointed that the education community lined up in opposition of this bill because it's not everything they want. He said he felt that half a loaf, he would think, would be better than no loaf.

{Tape : 3; Side : B; Approx. Time Counter : 47.3}

HEARING ON HB 5

Sponsor: REP. BRAD MOLNAR, SD 22, LAUREL

Proponents: None

Opponents: None

Opening Statement by Sponsor:

REP. BRAD MOLNAR, SD 22, LAUREL, presented HB 5. He said that the figures have indicated that there is a surplus of \$140 million, which is money that we did not know we were going to have in the last biennium. He said in order to jump start the economy, you must have money in the economy or you don't have an economy to jump start. He said he proposed splitting the \$140 million by giving \$70 million to the people who earned the surplus and \$70 million to those who want to spend the surplus. He said if you return \$70 million to the taxpayers, that will

STATE OF MONTANA
SPECIAL SESSION

HOUSE TAXATION COMMITTEE

May 6, 2000

Members Present:

Rep. Hibbard
Rep. Story
Rep. Gillan
Rep. Anderson
Rep. Beck
Rep. Clark
Rep. Dale
Rep. Davies
Rep. Erickson
Rep. Guggenheim
Rep. Harper
Rep. Harrington
Rep. Holden
Rep. Jackson
Rep. McKenney
Rep. Pavlovich
Rep. Raney
Rep. Rehbein
Rep. Rose
Rep. Schmidt

Members Excused:

Rep. Fuchs
Rep. Orr
Rep. Somerville

Staff present: Terry Johnson
Jeff Martin

Secretary: Mary Lou Schmitz

Rep. Chase Hibbard, Chairman, opened the meeting at 8:00 a.m. and roll call was taken.

Rep. Raney had some concerns whether it is legal to meet and said the Democrats think it is unconstitutional for standing committees to be meeting unless they are in regular session. Therefore, all the work done up till right now is "no good" and will have to be re-done after the

the revenue the state collects is really not a function of the revenue estimating process. He believes the money they are putting into this resolution is there. Rep. Story closed.

Motion/Vote: Rep. Story moved HJR 1 as amended in concept. The motion carried 14-9 with Reps. Gillan, Beck, Erickson, Guggenheim, Harper, Harrington, Pavlovich, Raney and Schmidt voting no.

Rep. Guggenheim asked how proxy votes can be voted on something that was not anticipated prior to 8:00 a.m. today? Chairman Hibbard said they have a blanket proxy from Reps. Fuchs and Somerville and have always done it this way. Rep. Guggenheim said she would like to go on record as saying it is a dishonest way to do things.

After a 10 minute break Chairman Hibbard said they would deliberate on HB 4. HB 3 will mirror HB 4.

Conceptual Executive Action HB 4

Motion: Rep. Story moved in concept Do Pass HB 4.

Motion: Rep. Story moved in concept an amendment to HB 4, EXHIBIT 2.

Discussion: Rep. Story said the amendment clarifies the effective date of the vehicle section under HB 540. Jeff Martin, staff, said disregard amendment #1 which should be scratched. Amendment 2 coordinates the amendment to 15-10-420 in the bill right now with the passage of HB 540 by the electorate in November. Local governments receive money from registration fees must count it as property tax revenue. The money that people pay on motor vehicles won't be a property tax anymore but a fee so this is for calculating mill levies. Amendment #3 makes the whole bill apply to fiscal years beginning after July 1, 2000.

Rep. Story said the reason for the second amendment is, right now under SB 184, when a city or county calculates what their mill levy is going to be for the next year they figure what they taxed last year and then the vehicle money goes into that. They then figure if they have to float their mill in order to arrive at their current year spending.

Rep. Erickson rose in support of the amendment but does not like the bill. He thinks the amendment helps.

Vote: Motion on amendment to HB 4, EXHIBIT 2, in concept, carried unanimously 23-0.

Motion: Rep. Gillan moved in concept, an amendment to HB 4, EXHIBIT 3.

Discussion: Without objection from the committee, Madalyn Quinlan, Office of Public Instruction said the amendment deals with #2,3,4. Amendment #1 deals with what schools should

anticipate in terms of motor vehicle fees. She referred to and explained page 3, line 5 of the bill..

Rep. Story said the way SB 260 and HB 540 are structured, schools are guaranteed in their general fund, 100% of what their '99 collections were. Ms. Quinlan said those bills are set up to reimburse school districts in 2001 for the short fall in FY 2000 . In this bill, HB 4, the requirement is there to reimburse with the appropriations being removed. Chairman Hibbard asked if that is not addressed by this amendment? Ms. Quinlan said no. She referred to page 11, line 24, for distribution of money collected under motor vehicle fees. The language needs to be taken out.

Tape 2, Side B

In response to Rep. Raney who asked for an explanation, Rep. Story referred to and explained the handout of yesterday. They are in a transitional period with motor vehicles. From July 1 until December 31 there is vehicle tax on value. When money is collected on motor vehicles it is divided up to every tax entity. Chairman Hibbard asked if this is only effective if HB 540 passes? Rep. Story said it would be effective for this half of the year. Chairman Hibbard asked what do you do from January 1 until July 1, 2001 if HB 540 passes? The schools are also guaranteed that money. Ms. Quinlan said this amendment would give direction to school districts when they adopt their budgets this July. Even in January, schools know they are not going to collect the revenue, there is nothing that can be done in terms of a supplemental to make them whole so that is why she asks to let them use a more realistic revenue estimate going into this coming school year.

Chairman Hibbard asked if Rep. Story and Ms. Quinlan view this as a technical amendment. Does this clarify what the intent was initially in the bill and was overlooked or was it not drafted to reflect what it ought to be? Does this go beyond that? Rep. Story said when he had the bill drafted he assumed there might be a shortfall and they might have to leave part of the appropriation but they did not have the analysis done, so he struck the appropriation rather than leave the \$2.2 million in because they knew they would get a large part back. Maybe that would be the alternative, to go to the 98% or actually figure out how much of the \$2.2 million appropriation to leave with OPI that is presently in the bill. Ms. Quinlan said a practical approach to this is the OPI would be better off letting them estimate 98% of their revenues than trying to do a reimbursement system on the \$400 thousand to 450 school districts. That would be their preference. Rep. Story said, in practicality, that would be a fair thing to do for the schools and it would be a lot simpler than trying to do a reimbursement with the year lag which is what they have always had. The result is the \$400 thousand that will be paid as property tax that would have been paid anyway but eventually reimbursed by income tax so the following year there would be a lag.

In answer to questions from Reps. Raney and Gillan, Rep. Story said it basically takes the school revenues collected from general property taxes and replaces it with motor vehicle. Presently it is \$8.2 million.

Rep. Rehbein asked if \$400 thousand more could be put into this bill? Rep. Story said it might go in to increase the direct state aid fund or it might go into a different fund than where the vehicle money came out. A district might end up short if there were more children than vehicles.

In response to Chairman Hibbard for a brief description of the amendment, Rep. Story said the amendment deals with about \$400,000 to schools and how they estimate their vehicle money for their next budget year. He asked for support of the amendment and to let them work on 98% because the next session or the one after, they will have to come back and change the law and put them on the previous year's number, then they won't have the problem of school's under-estimating. It is mostly a technical amendment and not a big policy change.

Vote: Rep. Gillan's amendment, in concept, passed unanimously 23-0 on a voice vote.

Madalyn Quinlan gave an explanation for an amendment to strike lines 24 through 29, page 11. The bill strikes an appropriation that is currently in law, page 14. The bill strikes an appropriation that was in HB 184 for reimbursements to school districts to make sure, in terms of motor vehicle collections, that the schools will see what they receive in fiscal 99 and because of a one year lag there will be a shortfall and then the following school year the school is made whole for that shortfall. With the redistribution of motor vehicle fees in this bill and the amendment just adopted, a reimbursement system, in terms of motor vehicles will no longer be needed.

Jeff Martin said in conjunction with that amendment the same thing will have to be done to coordination instruction to change that language. Rep. Story said the coordination instruction deals with HB 540, if it passes, and they assume their financial analysis is right. If HB 540 passes, the schools will not need a reimbursement because the 98% will allow them to be whole.

Motion: Rep. Story moved an amendment, in concept, to strike lines 24 through 29, page 11 and lines 25, page 15 through line 3, page 16. Motion carried unanimously 23-0 on a voice vote.

Chairman Hibbard asked Rep. Story to explain the bill to the committee again. Rep. Story said the bill does four things: (1) the bill increases the state's share of school spending, the direct state aid number from \$41.8 million to \$44.7 million. That in itself costs the general fund about \$10 million a year because direct state aid is increased about \$20 million and because of that increase the guaranteed tax base portion comes down and will get back about \$10 million. It has a net cost to the general fund about \$10 million which will result in a property tax decrease in all school districts. (2) the bill totally reimburses the motor vehicle bill from last session. (3) the bill changes how schools have to estimate their motor vehicle money when they do their following year's budget. In previous years, they were required to use their actual previous year's collection so if \$100 thousand in motor vehicle money was collected in a school district in 1997, the 1998 budget finished, they had to assume they would get \$100 thousand in motor vehicle money and figure the mill levies after that. (4) When they passed HB 540, the intent was a new car sales tax of 1-1/2% and that money went to the Department of Transportation. To replace that money,

HB540 gave them the first year registration money on a vehicle but the language wasn't clear so the interpretation was that first time titling would go through the Department of Transportation. There was a lot of discussion concerning what the registration fee language meant in the bill, whether the \$195 for the 1-1/2% sales tax or whether it meant the registration fees would be paid to the county. The bill clears it up so the Department of Transportation gets the \$195 off of new cars getting a title for the first time. That is how the fiscal note was originally done on that bill to fix that.

Tape 3, Side A.

Chairman Hibbard said they could spend a lot of time on each issue of the bill but feels the most important part is #1, increasing direct state aid, what it does, and what the implications are. The committee should focus on the big picture of the bill.

Discussion: Rep. Harrington to Rep. Story; Rep. Erickson to Madalyn Quinlan; Rep. Guggenheim to Rep. Story; Reps. Raney, Gillan, Holden, Dale, Rose, Harrington, Hibbard, Schmidt, Pavlovich and Guggenheim gave observations and concerns for and against the Bill.

Tape 3, Side B

Motion/Vote: Rep. Story moved, in concept, HB 4 as amended. Motion carried 14-9 with Reps. Gillan, Beck, Erickson, Guggenheim, Harper, Harrington, Pavlovich, Raney and Schmidt voting no.

Motion: Rep. Story moved HB 3, conceptually and all the conceptual amendments except for the appropriations, necessary to make it HB 4.

Motion/Vote: Rep. Story moved the amendments, in concept. Voice vote carried 22-1 with Rep. Gillan voting no.

Discussion: Reps. Raney, Story, Harrington, Gillan, Harper.

Motion/Vote: Rep. Pavlovich moved to Table HB 3, in concept. Motion failed 9-13 with Reps. Hibbard, Story, Anderson, Clark, Dale, Davies, Fuchs, Hanson, Holden, Jackson, Rehbein, Rose and McKenney voting no.

Vote: Rep. Story's motion Do Pass as Amended HB3, conceptually, carried 14-9 with Reps. Gillan, Beck, Erickson, Guggenheim, Harper, Harrington, Pavlovich, Raney and Schmidt voting no.

Motion: Rep. Davies moved Do Pass HB 5 conceptually.

Motion/Vote: Rep. Raney moved an amendment, in concept, to HB 5 to give every taxpayer the same amount of money, \$70 million divided by \$400 thousand. A voice vote carried.

Vote: Motion Do Pass as Amended HB 5 failed on a voice vote.

Motion: Rep. Davies moved Do Pass HB 6, conceptually.

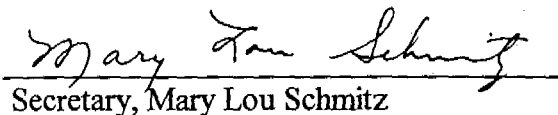
Discussion: Reps. Story, Dale, Erickson, Jackson

Vote: Motion Do Pass HB 6, conceptually, carried 12-11 with Reps. Hibbard, Gillan, Beck, Erickson, Guggenheim, Harper, Harrington, Pavlovich, Raney, Schmidt and McKenney voting no.

Meeting Adjourned 11:30 a.m.

A handwritten signature in cursive script, appearing to read "Chase Hibbard", written over a horizontal line.

Chairman, Rep. Chase Hibbard

A handwritten signature in cursive script, appearing to read "Mary Lou Schmitz", written over a horizontal line.

Secretary, Mary Lou Schmitz

CH/mls

ROLL CALL

JOINT COMMITTEE

~~SENATE~~/HOUSE TAXATION COMMITTEE

DATE: 5-6-00

SEN. DEVLIN ✓
SEN. DEPRATU
SEN. BOHLINGER
SEN. COCCHIARELLA
SEN. COLE
SEN. ECK
SEN. EKEGREN
SEN. ELLINGSON
SEN. ELLIS
SEN. GLASER
SEN. GROSFIELD
SEN. MCNUTT
SEN. STANG

REP. HIBBARD ✓
REP. STORY ✓
REP. GILLAN ✓
REP. ANDERSON ✓
REP. BECK ✓
REP. CLARK ✓
REP. DALE ✓
REP. DAVIES ✓
REP. ERICKSON ✓
REP. FUCHS *excused*
REP. GUGGENHEIM ✓
REP. HANSON ✓
REP. HARPER ✓
REP. HARRINGTON ✓
REP. HOLDEN ✓
REP. JACKSON ✓
REP. MCKENNEY ✓
REP. ORR *excused*
REP. PAVLOVICH ✓
REP. RANEY ✓
REP. REHBEIN ✓
REP. ROSE ✓
REP. SCHMIDT ✓
REP. SOMERVILLE *excused*

Exhibit 2
5-6-00

Amendments to House Bill No. 4
1st Reading Copy

Requested by Representative Bob Story

For the House Taxation Committee

Prepared by Jeff Martin
May 6, 2000 (7:22AM)

1. Page 14, line 29.

Following: "instruction."

2. Page 14, line 29.

Following: "instruction."

Insert: "(1) If [this act] is passed and approved and if Chapter 515, Laws of 1999, is approved by the electorate, then [section 1 of this act] is void and 15-10-420 must read as follows:

"15-10-420. Procedure for calculating levy. (1) A governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year, even if that levy is greater than the levy established by law. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the value of newly taxable property.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1) plus any additional levies authorized by the voters to all property in the governmental unit, including newly taxable property.

(3) For purposes of this section, newly taxable property includes:

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;
- (d) subdivision of real property;
- (e) reclassification of property;
- (f) transfer of property from tax-exempt to taxable status;

and

- (g) revaluations caused by expansion, addition,

replacement, or remodeling of improvements.

(4) Subsection (1) does not apply to school district general fund levies and the school district levy for tuition obligations established in 20-5-324(5).

(5) For purposes of subsection (1), taxes imposed:

(a) include registration fees imposed on light vehicles and distributed under 61-3-509; and

(b) do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(6) In determining the maximum number of mills in subsection (1), the governmental entity shall take into account any change from the prior year in the amount of statutory reimbursements for changes in the property tax laws. It may increase the number of mills to account for a decrease in reimbursements and shall decrease the number of mills to fully account for any increase in reimbursements.

(7) The department shall calculate the number of mills to be imposed for purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, 20-25-439, and 53-2-813. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections.

(8) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable property in a governmental unit."

Renumber: subsequent subsections

3. Page 17, line 19.

Strike: "[section" through "apply"

Insert: "applies to fiscal years beginning on or after July 1, 2000, and"

- END -

Enrolled 3
5-6-2000

Amendments to House Bill No. 4
1st Reading Copy

For the House Taxation Committee
May 5, 2000

1. Page 3, line 5.

Following: "(ii)"

Insert: "98 percent of the"

2. Page 17, line 18.

Strike: "subsection"

Insert: "subsections"

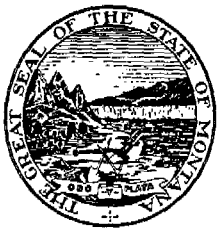
3. Page 17, line 19.

Following: "(2)"

Insert: "and (3)"

4. Page 17, line 22.

Insert: "(3) [Sections 6 and 7] are effective July 1, 2000.



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE ROGER J. SOMERVILLE
HOUSE DISTRICT 78 - KALISPELL

HELENA ADDRESS:
CAPITOL BUILDING
HELENA, MONTANA 59620-0400
PHONE: (406) 444-4800

HOME ADDRESS:
PO BOX 1104
KALISPELL, MONTANA 59903-1104
PHONE: (406) 844-3667

COMMITTEES:
ETHICS, CHAIRMAN
TAXATION
TRANSPORTATION
FISH, WILDLIFE & PARKS

23 April 2000

Representative Chase Hibbard
Chair House Taxation Committee
P.O. Box 835
Helena, MT 59624-0835

Representative Robert R. Story, Jr.
Vice-Chair (Majority) House Taxation Committee
133 Valley Creek Road
Park City, MT 59063

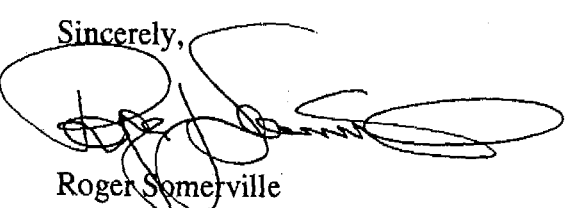
Dear Representative Hibbard and Story,

I will be working on a consulting job for the Army at Fort Drum, NY, with the 10th Mountain Division, during the period April 24th through May 5th, returning to Montana on May 6th. I will arrive in Helena in the evening of May 6th. I will miss Taxation committee meetings on April 28th and 29th and May 5th and 6th. During these meetings I desire to provide my proxy to Representative Robert R. Story, Jr.

During the last couple weeks, I have worked closely with Representative Story on these issues and feel he completely understands my positions on the proposed legislative bills you will look at and discuss in these meetings.

I will provide a Fort Drum telephone and fax number to the Legislative Services personnel so you can contact me. You can always fax me proxies on the different issues under consideration.

Sincerely,



Roger Somerville

**House Taxation
Roll Call Vote
May 6, 2000**

Rep.

<i>Story moved in</i>	Yes	No	
<i>Concept H.B. 4</i>			
Rep. Hibbard, Chair			
Rep. Story			
Rep. Gillan			
Rep. Anderson			
Rep. Beck			
Rep. Clark			
Rep. Dale			
Rep. Davies			
Rep. Erickson			
Rep. Fuchs			
Rep. Guggenheim			
Rep. Hanson			
Rep. Harper			
Rep. Harrington			
Rep. Holden			
Rep. Jackson			
Rep. Orr			
Rep. Pavlovich			
Rep. Raney			
Rep. Rehbein			
Rep. Rose			
Rep. Schmidt			
Rep. Somerville			
Rep. McKenney			

**House Taxation
Roll Call Vote
May 6, 2000**

Rep

<i>Gillan - Amendment #1</i>	Yes	No	
<i>NB 4 School^{2 3 4} district</i>			
Rep. Hibbard, Chair	/		
Rep. Story	/		
Rep. Gillan	/		
Rep. Anderson	/		
Rep. Beck	/		
Rep. Clark	/		
Rep. Dale	/		
Rep. Davies	/		
Rep. Erickson	/		
Rep. Fuchs	/		
Rep. Guggenheim	/		
Rep. Hanson	/		
Rep. Harper	/		
Rep. Harrington	/		
Rep. Holden	/		
Rep. Jackson	/		
Rep. Orr			
Rep. Pavlovich	✓		
Rep. Raney	✓		
Rep. Rehbein	✓		
Rep. Rose	✓		
Rep. Schmidt	✓		
Rep. Somerville	✓		
Rep. McKenney	✓		

Amendment

**House Taxation
Roll Call Vote
May 6, 2000**

Rep. Story, HB 4
Amendment # 2-3

	Yes	No	
Rep. Hibbard, Chair	/		
Rep. Story	/		
Rep. Gillan	/		
Rep. Anderson	/		
Rep. Beck	/		
Rep. Clark	/		
Rep. Dale	/		
Rep. Davies	/		
Rep. Erickson	/		
Rep. Fuchs	/		
Rep. Guggenheim	/		
Rep. Hanson	/		
Rep. Harper	/		
Rep. Harrington	/		
Rep. Holden	/		
Rep. Jackson	/		
Rep. Orr			
Rep. Pavlovich	✓		
Rep. Raney	✓		
Rep. Rehbein	✓		
Rep. Rose	✓		
Rep. Schmidt	✓		
Rep. Somerville	✓		
Rep. McKenney	✓		
	23	0	

Amendment

House Taxation

Roll Call Vote

May 6, 2000

Rep. Story moved conceptually, an amendment to strike 54 thru 59, pg 11, and lines 25 thru 3 pages 15 & 16

	Yes	No	
Rep. Hibbard, Chair	✓		
Rep. Story	✓		
Rep. Gillan	✓		
Rep. Anderson	✓		
Rep. Beck	✓		
Rep. Clark	✓		
Rep. Dale	✓		
Rep. Davies	✓		
Rep. Erickson	✓		
Rep. Fuchs	✓		
Rep. Guggenheim	✓		
Rep. Hanson	✓		
Rep. Harper	✓		
Rep. Harrington	✓		
Rep. Holden	✓		
Rep. Jackson	✓		
Rep. Orr			
Rep. Pavlovich	✓		
Rep. Raney	✓		
Rep. Rehbein	✓		
Rep. Rose	✓		
Rep. Schmidt	✓		
Rep. Somerville	✓		
Rep. McKenney	✓		
<i>Motion carried</i>	<i>23</i>	<i>0</i>	

unanimously

House Taxation
Roll Call Vote
May 6, 2000

<i>Rep. Story moved</i>	Yes	No	
<i>NB4 as amended, longinally</i>			
Rep. Hibbard, Chair	✓		
Rep. Story	✓		
Rep. Gillan		✓	
Rep. Anderson	✓		
Rep. Beck		✓	
Rep. Clark	✓		
Rep. Dale	✓		
Rep. Davies	✓		
Rep. Erickson		✓	
Rep. Fuchs	✓		
Rep. Guggenheim		✓	
Rep. Hanson	✓		
Rep. Harper		✓	
Rep. Harrington		✓	
Rep. Holden	✓		
Rep. Jackson	✓		
Rep. Orr			
Rep. Pavlovich		✓	
Rep. Raney		✓	
Rep. Rehbein	✓		
Rep. Rose	✓		
Rep. Schmidt		✓	
Rep. Somerville	✓		
Rep. McKenney	✓		
<i>Motion Carried</i>	<i>14</i>	<i>9</i>	

Tape 1, Side A

Chairman Hibbard explained that the committee had heard the bills on Saturday, but they were taking official action today so they went directly to Executive Action.

Executive Action on HJR 1

HJR 1, "A Joint Resolution of the Senate and House of Representatives revising the official estimate, contained in HJR 2, Laws of 1999; of state's anticipated revenue for each year of the 2000-01 biennium. .

Rep. Bob Story, HD 24, moved HJR 1 DO PASS.

Rep. Story moved HJ000101.ajm Amendment Do Pass.

HJ000101.ajm passed 20-2, with Rep. Anderson and Rep. Rehbein voting no.

Rep. Guggenheim offered a conceptual amendment to decrease estimated property tax on l. 10, by 4.2. The amendment failed 9-13 on a roll call vote.

Tape 1, Side B

Rep. Raney offered a conceptual amendment to correct a typo on line 9, p. 3 to correct estimated FY 2000 column to \$1,042.885. The amendment passed unanimously.

HJR 1 passed 13 - 9 on a roll call vote.

Executive Action on HB 4

HB 4, 'An Act providing for reduction in property taxes by increasing direct state aid to school districts from 41.8 percent to 44.7 percent; ...

Rep. Story moved HB 4 DO PASS.

Rep. Story moved amendment HB000403.ajm Do Pass. Amendment passed 13 - 9.

Rep. Gillan moved amendment HB000401.aem Do Pass. Amendment failed 9 - 13 on a roll call vote.

Rep. Swanson said it was an inappropriate time to give tax relief. This amendment reduced the amount of property tax relief and made a commitment to education.

Tape 2, Side A

Discussion continued by members of the committee.

Tape 2, Side B

HB 4 passed 13 - 9.

Executive Action on HB 3

HB 3, 'An act providing for reduction in property taxes by increasing direct state aid to school districts from 41.8 percent to 44.7 percent. . .'

Rep. Story moved HB 3 DO PASS.

Rep. Story moved amendment HB000301.ajm Do Pass. HB000301.ajm passed 13 - 9.

MINUTES

**MONTANA SENATE
56th LEGISLATURE - SPECIAL SESSION**

SELECT COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on May 9, 2000 at
2:30 P.M., in Room 225 of the Scott Hart Building.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. Vicki Cocchiarella (D)
Sen. Mack Cole (R)
Sen. Dorothy Eck (D)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis (R)
Sen. Bill Glaser (R)
Sen. Spook Stang (D)

Members Excused: Sen. John C. Bohlinger (R)
Sen. Lorents Grosfield (R)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 11, 5/9/2000;
HB 4, 5/9/2000
Executive Action: SB 11

{Tape : 1; Side : A; Approx. Time Counter : 0.5}

HEARING ON SB 11

{Tape : 1; Side : A; Approx. Time Counter : 5.3}

Closing by Sponsor:

SEN. MCNUTT closed.

{Tape : 1; Side : A; Approx. Time Counter : 5.6}

EXECUTIVE ACTION ON SB 11

Motion/Vote: SEN. MCNUTT moved that SB 11 DO PASS. Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 6.2}

HEARING ON HB 4

Sponsor: REP. ROBERT STORY, HD 24, PARK CITY

Proponents: SEN. BILL GLASER, Huntley
SEN. MIKE TAYLOR, Proctor

Opponents: Lance Melton, Montana School Boards Association
Madalyn Quinlan, Office of Public Instruction
Eric Feaver, MEA-MFT
Loran Frazier, School Administrators

Opening Statement by Sponsor:

REP. ROBERT STORY, HD 24, PARK CITY, referred the committee to the handout which was provided last week, and said that there is a Fiscal Note with the bill this morning. He said it is accurate except that the bill had been amended on the House floor to change the appropriation in the bill from \$10 million to \$6.51 million and the Fiscal Note refers to the \$10 million.

REP. STORY said this bill is a property tax relief bill. It relieves property taxes by doing two things: 1) increases the direct state aid to schools, which is the State's share of money to schools along with guaranteed tax base money. This bill increases the State's share of school funding in the second year of the present biennium from 41.8 percent to 44.7 percent. The net effect of that increase is that schools will have the same amount of money to spend but \$10 million more of it is State

money and \$10 million less comes from local sources. 2) Redistributes the motor vehicle money. **SB 260** from last session reduced motor vehicle taxes from 2 percent to 1.4 percent. When that was reimbursed to local governments and schools, it was not fully reimbursed. This bill makes those government entities mostly whole.

REP. STORY said that these two items tend to generate \$18 million in local property tax relief, assuming every government uses the money as intended, to fund their present budget.

REP. STORY said also that there are some clarifications in this bill. 1) Several school districts did not anticipate their motor vehicle revenue as what was directed by the legislature. They underestimated that, so thus to get their budget they raised their mills, which cost the State several million dollars in guaranteed tax base. So the adjustment in guaranteed tax base monies will reimburse the State for some of that cost. 2) He said under the present system, when you buy a new car, you pay a new car sales tax of 1.5 percent of the value, and that money goes to the Department of Transportation. Under **HB 540**, the first time a vehicle receives a Montana title, the money from that registration fee plus any local option tax applied to that vehicle will go to the Department of Transportation. That was not clear in the law. It was assumed that that only dealt with brand new cars. In fact, even used cars that are registered in Montana for the first time, that money goes to the Department. That caused a loss to counties and a gain to the Department. This bill says that the Department of Transportation will only get the \$195 on a brand new car. The county will keep the local option tax on that new vehicle, and clears up that glitch in **HB 540**.

REP. STORY supplied a handout which laid out the school funding and how this bill impacts that, **EXHIBIT(1)**.

{Tape : 1; Side : A; Approx. Time Counter : 18.3}

Motion: SEN. STANG moved THAT TESTIMONY GIVEN ON MAY 5, 2000, ON SB 11 BE CONSIDERED A PART OF THIS HEARING RECORD.

Vote: Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 19.2}

Proponents' Testimony:

SEN. BILL GLASER, Huntley, said this is the property tax reduction part of what was called LC0023. It relieves the local property taxpayers to some degree. He would like to see it pass as a first step in the right direction.

SEN. MIKE TAYLOR, Proctor, said he is in favor of HB 4. He said this is a brilliant way to relieve property tax, to help education on the State level, and clean up the glitch in HB 540. The only way to make this bill better would be to increase the state aid even higher, but that is not practical at this time.

{Tape : 1; Side : A; Approx. Time Counter : 22.5}

Opponents' Testimony:

Lance Melton, Montana School Boards Association, said he appreciated the committee's decision to incorporate testimony from May 5, 2000, into today's hearing. He said that helps those who were here for the hearing on Friday and were not able to come back to testify at today's hearing. He provided information which shows the results of the levy elections just held, in which about 95 percent of these levies passed, and also the results of a quick survey asking for school district financial information, EXHIBIT(2). He said this represents about \$7.6 million. He said he believes that direct state aid and per ANB amounts should be considered together. He said his organization believes that the real crisis in education today is those school districts that are trapped at the maximum budget with declining enrollments. That mandates that they reduce their expenditures and there is no right of the local voters to increase that back. He said the survey results indicate that the increase in funding in the last session, although appreciated, is not enough because declining enrollment results in a decline in budgets.

Madalyn Quinlan, Office of Public Instruction, said she is more or less resubmitting her testimony as given on May 5, 2000. She provided written testimony, EXHIBIT(3), which said that in a legislative session that purports to focus on economic development, it would be a sad irony to divest our schools - which are at the heart of our economic security - in the name of property tax relief.

Eric Feaver, MEA-MFT, said he rises in opposition to **HB 4**. He said it is a property tax relief measure, and as such it works pretty well. He said it does address the **HB 540** issues, but he said if you were going to do something positive with this bill, he suggested that you amend everything out of it except that. However, he said what this bill doesn't do is it simply does not build local school district budget authority, so it doesn't matter what is put into DSA, not one single program will be saved or enhanced in a single Montana school district. That is the message. He said **SB 100** made a difference because money was put into DSA and basic entitlement. It was not, however, enough. He said this bill is property tax relief, it does address the motor vehicle issues, but it does not put a penny into the schools and it will make it far more difficult to enhance school entitlement in the next session.

Loran Frazier, School Administrators, said when you drive money into the bottom of a formula, you have to look at the top, because unless some money is put in the top when you're driving it into the bottom, you affect the equalization that the guaranteed tax base was put in there for because the poorer districts suffer from the GTB a little bit and the richer districts stay the same. He resisted this proposal.

Questions from the Committee and Responses:

SEN. ELLIS said that in the issue of direct state aid, the conflict comes because the percentage of school funding as contributed by the State has declined over the last four years. **Madalyn Quinlan** said that was correct. **SEN. ELLIS** asked if it was inherent in the way **HB 667** was written, that as we help school districts get up to the threshold, that the proportion of money that was contributed, that goes into **667**, the State's portion would decline because we have to help them to get to the threshold but we don't have to help them go further once they get beyond the threshold. **Ms. Quinlan** said that as school districts as a whole move from more of a BASE level funding up to the maximum level of funding, that implicit in the system is that there is more reliance on local property taxes. **SEN. ELLIS** then asked if it was **Ms. Quinlan's** opinion that **SB 100** merely put money into the BASE in order to hold the taxpayer harmless for the increase in schedule, and he wondered if more money should not be put in the BASE and leave the proportion that the State is

contributing hence forward the same. **Ms. Quinlan** said in terms of priorities that we should look at what the needs in school districts are in terms of adequate funding for schools. They need the spending authority, and the issue of the State's share is an important question, but it is secondary to cutting back on school programs, laying off staff and closing schools. It is the issue of spending levels for schools versus the question of who pays to provide that revenue.

SEN. ELLIS said when school funding was equalized through 667 in '93, schools had increasing enrollments. **Lance Melton** said that was correct. **SEN. ELLIS** said we are now in a period of declining enrollments, and **Mr. Melton** said that was correct. He said he believes that the LFD projects \$21.1 million savings in school funding in the 2003 Biennium from a decline in enrollment that is projected to be about 2,000 per year. **SEN. ELLIS** asked why it would be fair to favor a school that has declined from 190 to 180 over the school beside it that has maintained 180. **Mr. Melton** said he is not suggesting that there should be an distinction between how one district is treated from another except to the extent that it is reflected by the local control of the constituents who decide that that difference should exist up to 25 percent.

SEN. ELLINGSON asked if **Ms. Quinlan** could take him through the source of the increase which she estimates from \$103 million to \$124 million if HB 4 passes. **Ms. Quinlan** provided a handout, **EXHIBIT(4)**, which on the first side showed that as the entitlement is increased, the entire budget afforded school districts goes up. The State's share under current law is 41.8 percent and this bill would increase that. However, as you expand entitlements, then everybody's costs for funding those entitlements goes up. Under **HB 4** it increases the State's share from 41.8 percent to 44.7 percent, so not only is the total budget going up, but the State is saying we want to pay a greater share of that total budget, and so that's where the \$21 million increase comes from. It's additional state aid with some offset in GTB.

SEN. ELLINGSON asked what the second page of the handout reflected. **Ms. Quinlan** said that this is one example to show the effects of declining enrollment combined with entitlement increases.

SEN. DEVLIN asked how many school districts in this state have declining enrollments. Ms. Quinlan provided another handout with information about each school district in the state and enrollment trends over a three-year period and also the budget impact, EXHIBIT(5).

SEN. ELLIS asked how much, in this example, would the cost per student expand, and Ms. Quinlan said you take the ANB count and divide it by the total budget and that will tell you.

SEN. STANG asked if the Senate decided not to take the increased state aid, if REP. STORY would still be interested in fixing the HB 540 problems. REP. STORY said he would like to see the 260 fix done, knowing that it's just a half year deal with not a lot of cost.

{Tape : 1; Side : A; Approx. Time Counter : 51.8}

Closing by Sponsor:

REP. STORY reminded those that also represent local governments that it also does some things for them that are important by returning some of the motor vehicle taxes they lost. He said we've been hearing about the problems of schools and declining enrollment and what should be done to fix that. He said perhaps the decrease in property taxes would encourage people to stay and keep their children in the schools. He would hope that some of the fixes in this bill could be passed on.

MINUTES

**MONTANA SENATE
56th LEGISLATURE - SPECIAL SESSION**

SELECT COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on May 10, 2000 at 2:35 P.M., in Room 225 of the Scott Hart Building.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. Vicki Cocchiarella (D)
Sen. Mack Cole (R)
Sen. Dorothy Eck (D)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis (R)
Sen. Bill Glaser (R)
Sen. Lorents Grosfield (R)
Sen. Walter McNutt (R)
Sen. Spook Stang (D)

Members Excused: Sen. John C. Bohlinger (R)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Executive Action: HB 4

EXECUTIVE ACTION ON HB 4

Motion: SEN. GLASER moved AMENDMENT HB000407.ALH.

SEN. GLASER presented amendments **HB000407.alh**, **EXHIBIT(1)**. He said this amendment increases the BASE entitlement on high schools from \$200,000 to \$206,000, a 3 percent increase; it increases the BASE entitlement in elementary schools from \$18,000 to \$18,540, a 3 percent increase; it increases the amount of the ANB entitlement in high schools from \$4869 to \$5070; it increases the ANB entitlement for elementary schools from \$3653 to \$3804. He also provided a handout which reflected **HB 4** current status and Glaser amendment, Fiscal 2001, **EXHIBIT(2)**, showing a total cost of \$19,821,834.

{Tape : 1; Side : A; Approx. Time Counter : 4.3}

Discussion:

SEN. ELLINGSON asked if his interpretation of this amendment was correct in that the cost of this amendment would be \$14 million.

SEN. GLASER said the cost of this amendment is \$13,559,000, making a total of the school funding part of the bill \$19.8 million.

SEN. COCCHIARELLA asked if this amendment takes care of the rebate amount when it's gone. **SEN. STANG** said that **SEN. GLASER** had removed the rebate proposal from his amendment that would have required districts to not implement the tax increases, the mills that were done in the last election. It was found out that there were a number of school districts in the state that, had that part of the amendment been put on, would have lost money under this proposal. **SEN. GLASER** said there was in the original amendment some comments about the fact that if your mill levies passed, that you had to rebate, and after working with OPI and with staff, the conclusion was made that that is going to happen automatically under the existing law to a great degree, so that has been removed.

SEN. STANG asked if, since the cost of this amendment is going to be an additional \$13.5 million, this fits into the budget proposal that we have with all the bills that are being considered and the new revenue estimates. **SEN. GLASER** said there is a proposal for the next legislative session called **LC0023**, and this just accelerates that program in lieu of the fact that there are some problems going on out there in the school systems.

SEN. STANG asked, then, if this would preclude the education people from being able to come in next session and ask for an increase, and he wondered if this would head that off, or whether that additional funding would probably still be needed.

SEN. GLASER said that he believes education should be considered early in the game, and unless there are some changes in how the education process is handled and we come up with some economies, it might be necessary. He said he is going to go forward with LC0023 and see what happens.

SEN. STANG said that he believed that SEN. GLASER had done a good job of going partway with this and he would be in favor of this amendment.

SEN. ECK asked if LC0023 was an increase of 3 and 3. SEN. GLASER said LC0023 deals with basically five issues: 1) ANB entitlement on elementary schools and high schools at 3 and 3; 2) it deals with BASE entitlements, 3, 3, 3 and 3; 3) direct state aid is moving up towards 50 percent; 4) it tinkers a little bit with the numbers; and 5) it takes into consideration the CPI. He said it basically takes all pieces of school funding and puts it into one piece of legislation and allows the legislature to go through the process of determining what they're going to fund in all of those points.

{Tape : 1; Side : A; Approx. Time Counter : 13.8}

Vote: Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 14.2}

Motion: SEN. GLASER moved AMENDMENT HB000406.ALH.

SEN. GLASER provided HB000406.alh, EXHIBIT(3), and said that this simply rolls back the lake shore property tax that got sneaked into SB 184 in the last session of the legislature. It gets rid of that exemption and leaves the revenue with the local property tax people.

{Tape : 1; Side : A; Approx. Time Counter : 16.9}

Discussion:

SEN. STANG said he is in favor of this amendment. He said he did get figures that did show that in one county only 2100 households out of 37,000 got the exemption. He said he felt there really was a possibility that if other taxpayers in that class decided they were being discriminated against, the State could end up in court. He said this is a fair amendment.

SEN. DEPRATU said he is against this amendment. He said he believes it is somewhat of a myth as far as the people that this has affected. He said a lot of families who presently live on the lake, this amendment would prevent from continuing to live there. It was passed because it was taking older homes that had been there for years that were on property that had gained but the actual total value of it just wasn't there, and they were being taxed out. He said big expensive homes are moving in and are paying full amounts. He believed this would hurt those other people.

{Tape : 1; Side : A; Approx. Time Counter : 19.2}

Vote: Motion carried 10-2 with Devlin and Depratu voting no.
(Roll call vote)

{Tape : 1; Side : A; Approx. Time Counter : 20.3}

Motion: **SEN. GROSFIELD** moved AMENDMENT HB000404.AGP, EXHIBIT(4).

SEN. GROSFIELD said this is a little \$37 million amendment that stipulates that that amount of the General Fund will be used during the biennium beginning July 1, 2001, to fulfill the legislature's obligation to provide alternative funding for local governments as contemplated in Sections 167 and 168, Chapter 584, Laws of 1999. It basically is an overhaul to how local governments are funded.

{Tape : 1; Side : A; Approx. Time Counter : 24.8}

Discussion:

SEN. COCCHIARELLA said **SEN. GROSFIELD** raised some concerns for her when he said this may not be enough. She said she agrees that local governments need to be appropriately reimbursed, but this amount combined with the \$20 million of **SEN. GLASER'S** amendment, and the \$29 million coming out of committee makes her

wonder if this was going to spend all of the so-called surplus monies. **SEN. GROSFIELD** said there are several bills out there that are going to spend a lot of money, so we don't know yet where we'll come out in the final picture. He said this bill is not to spend the rest of it, it is to make sure that the money which the legislature has obligated is set aside.

SEN. COCCHIARELLA then asked if **SEN. GLASER** would consider an amendment that would also establish a reserve fund similar to this that would commit at least a 4 percent for education in the same concept. **SEN. GLASER** said the \$37 million that **SEN. GROSFIELD** is talking about is money that the legislature committed a year ago, so he goes along with what **SEN. GROSFIELD** said. On education, he said his commitment is already in **LC0023** and that's the CPI. He said what she is suggesting is not a promise that anybody has made, other than to support education. He would not want to encumber the next legislative session on that.

SEN. COCCHIARELLA asked **SEN. GROSFIELD** how we would handle not having enough in this reserve at the next session.

SEN. GROSFIELD said that it was too premature to know that.

SEN. MCNUTT said that when the Court Funding Committee, which is a part of this, started out, they set pretty high parameters, and as they've gone through the process, that keeps coming down. He said it is too early to know what this will all shake out to. He didn't know if \$37 million would be enough, but it may be.

SEN. ECK said she is pleased to see this initiative in that year after year we don't make local governments whole and we continually say that we are going to reimburse them for their losses and it doesn't happen. She said she was not sure that in the end there would be enough money for everything, but it is a step in the right direction.

SEN. ELLINGSON asked what is meant by "General Fund reserve." He wondered if that obligated the next legislature to spend that \$37 million. **Lee Heiman** said what it is used for is in the preparation of the base budget coming into the next year.

SEN. ELLINGSON asked, then, if by passing this this legislature is telling the Governor to put this into the base budget but it doesn't have an impact right now as to what the ending fund balance is going to be. **Mr. Heiman** said he did not believe so.

SEN. GROSFIELD said the \$37 million was obligated for the next biennium.

SEN. ELLIS said there had been some concern expressed about whether this is enough, and he said as far as solving the problems of the next legislature, this session can't do that anyway because the players may be different and we can't encumber the next legislature. He said he felt that point was moot.

{Tape : 1; Side : A; Approx. Time Counter : 37.4}

Vote: Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 37.6}

Motion: SEN. GROSFIELD moved AMENDMENT HB000406.AJM, EXHIBIT(5).

SEN. GROSFIELD asked Mr. Heiman to explain this amendment. Mr. Heiman said these amendments were prepared by Jeff Martin, LSD, and what he had done at the time he drafted the bill, for the new motor vehicle referendum, he had improperly used Section 2 where he really should have talked about Sections 1 through 3, which is a reference to the fees that are to be distributed. And 1 through 10 of this amendment takes care of that. No. 11 removes the repealer of the voted fee which was also incorrect.

{Tape : 1; Side : A; Approx. Time Counter : 39.8}

Vote: Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 40}

Motion: SEN. GROSFIELD moved AMENDMENT HB000405.AGP, EXHIBIT(6).

Discussion:

Dave Woodgerd, Department of Revenue, said this amendment was prepared by Greg Petesch, but he explained that the original intent of the bill was to move the 55 mills over to local governments rather than the State, and to make sure that as a result of that there wasn't any change in the mill levy. These technical amendments simply amend the language of the bill to make it absolutely clear that when that 55 mills is distributed to the local governments, the local governments have to reduce

their mill levies appropriately so that everybody stays the same. He said it is in the bill now, but this simply clarifies that that happens.

{Tape : 1; Side : A; Approx. Time Counter : 41.9}

Vote: Motion carried unanimously.

{Tape : 1; Side : A; Approx. Time Counter : 42.3}

Motion: SEN. GLASER moved TO AMEND HB00407.ALH.

SEN. GLASER asked everyone to refer to HB000407.alh. He said that the calculations in this amendment were incorrect. In order to reflect a 3 percent/3 percent, on the insert on amendment 6, the figures should have been \$5015 rather than \$5070; amendment 7 should be \$3763 rather than \$3804; on amendment 8, \$3763 rather than 3804; and amendment 9, \$5015 rather than 5070. He said that matches the spreadsheet prepared by Mr. Standaert.

{Tape : 1; Side : A; Approx. Time Counter : 44.8}

Discussion:

SEN. STANG said that he can't agree with these new figures and he would have to vote no on this amendment.

SEN. DEVLIN said that these things happen. He said the wrong numbers were put down for a 3/3 and this rectifies that. He said he saw nothing wrong with this amendment.

Vote: Motion carried 10-2 with Cocchiarella and Stang voting no.

SEN. DEVLIN said that at this time, because the committee had amended the bill, he has requested a new Fiscal Note, and executive action will be taken when that is received.

MINUTES

**MONTANA SENATE
56th LEGISLATURE - SPECIAL SESSION**

SELECT COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on May 11, 2000, at 8:00 A.M., in Room 225 of the Scott Hart Building.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. Vicki Cocchiarella (D)
Sen. Mack Cole (R)
Sen. Dorothy Eck (D)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis (R)
Sen. Bill Glaser (R)
Sen. Lorents Grosfield (R)
Sen. Walter McNutt (R)
Sen. Spook Stang (D)

Members Excused: Sen. John C. Bohlinger (R)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Executive Action: HB 4

{Tape : 1; Side : A; Approx. Time Counter : 0.4}

EXECUTIVE ACTION ON HB 4

SEN. DEVLIN said the committee would be dealing with **HB 4**. A Fiscal Note has been provided.

Motion: **SEN. DEPRATU** MOVED AMENDMENT **HB000408.ALH**, EXHIBIT(1).

SEN. DEPRATU said that this amendment has to do with the high-value property which had the tax adjustment removed the previous day. He said there really is a serious problem, whether we want to accept the fact or not. He said there are a lot of people who have high-value property with low-value homes on it. He admonished the committee that although this has been referred to as the lake-shore tax break, it can actually affect property anywhere in the state where subdivisions or high-dollar developments move into an area, causing the property in the area to soar in price. This leaves lower income people unable to afford the taxes on their properties in that area. He asked **Mr. Heiman** to explain further.

Mr. Heiman told the committee that what this amendment does is take the present 75 percent cap language that is in the property tax appraisal section and uses the same formula and moves it into the income tax provisions to provide that there's an income tax credit on the difference between what the property tax would have been had the cap been on and the amount that the person actually paid. He pointed out the \$60,000 maximum.

Discussion:

SEN. STANG asked if anyone had an idea of how much this would cost. **SEN. DEPRATU** said this is still going to be a revenue enhancement because there will be some properties and some people who will fall under the category that are going to be paying more property tax than previously. Consequently, it will be a positive cash flow, but he could not provide exact numbers.

SEN. STANG said the positive cash flow is probably going to be to local governments and school districts and the negative cash flow will be to the State because that will be paid with income tax. He said he felt it is appropriate to do that. He said that he intends to offer an amendment which would put the rest of **SB 8** into this bill which would allow for expanding of that multiplier one of two ways: 1) through the percentage, or 2) raise the caps on the far end for the amount of income. He said that would take

care of everybody in the state of Montana. He said he felt that is a better way to do this.

SEN. DEVLIN asked if that wouldn't take all that tax revenue out of that taxing jurisdiction. **SEN. STANG** said it would take it out of some of the taxing jurisdictions, or it could be taken out of the income tax system.

SEN. ELLIS suggested an amendment to this amendment by changing the word "Montana" to "federal" on adjusted gross on the fourth line, and that would mean that out-of-state residents who may not have much Montana income but would have substantial federal income tax would then not be able to take this credit. He said he feels this is a good amendment. It determines that wealthy people would be precluded from taking advantage of this exclusion.

SEN. COCCHIARELLA asked if the way this is written it allows for a total household income of \$120,000 or more. **Mr. Heiman** said that might be possible.

SEN. COCCHIARELLA asked if there was a \$45,000 cap for qualification for the homeowner credit, and whether this \$60,000 cap would work with that. **SEN. DEVLIN** said that if the federally adjusted figure was used, that would probably be a better way to do this. He said the homeowners credit is based on Montana adjusted gross income. **SEN. COCCHIARELLA** asked that that be clarified.

SEN. GROSFIELD wondered if a married couple filed separate and they qualified for the under \$60,000, if it was clear whether each one could take the \$60,000. **Mr. Heiman** said that is why the last sentence was in Subsection 1, to make sure that that would not happen.

SEN. COCCHIARELLA asked about the elderly homeowner tax credit. She said that presently all income was counted toward the \$45,000, and on the federal level that income is not included. She said this could mean that a lot of wealthy people would be able to do this without including that income also, when the elderly homeowner credit requires that all that is included. She said it feels like these don't coordinate. **Mr. Heiman** agreed that it does not coordinate with that.

SEN. DEVLIN asked if changes could be made in this amendment to accommodate that. **SEN. ELLIS** said that he preferred not to do something with elderly homeowner credit because that is not the direction he felt we should be going with this bill.

SEN. STANG said the point is that we don't know what we're doing. He said we're fooling with the tax code, and we don't know the effect. He said there is already a mechanism in place to do this simply by changing the multipliers or raising the limits for the income. **SEN. DEVLIN** said that that would take money from a taxing jurisdiction and spread it throughout the state. **SEN. STANG** said there are some areas in the state that don't have any of this property in it, but you would be taking that and applying for this in the local areas. However, it applies to everybody in the state that has it. Those counties that don't have any of this property will not be hurt. The counties that do will get the credits back. **SEN. DEVLIN** said, though, that the way it is now in the low-income credits, monies are not taken from one taxing jurisdiction to pay all over the state.

SEN. STANG asked if someone from the Department of Revenue could explain this situation. **Judy Paynter, Department of Revenue**, said that the question that is being dealt with goes beyond that. She said one of the things the committee is talking about is keeping the money in the communities from which it came, and this amendment might do that. She said she suspected that the committee believes that the result of taking the land cap off, then mills would be lowered by that revenue; that when the land cap goes off, there would be more taxable value that, the upward floated mills last time, may now float down. She said that that is probably not how it will work. The mills will not come down because it will be considered newly taxable property. It will show that the increase from the current year to the next year will be an increase in taxable value, which will be considered newly taxable property and the local governments will be able to keep their mill levy the same, levy it against that new value they get and raise additional monies. She said, however, that when the land cap was removed, local governments were given the ability to increase their budget should they so desire. They also could lower mills if they desired, but it is not required.

So, **Ms. Paynter** said, if you put that into the elderly credit, it comes out of the General Fund and the local folks don't see any

change. If it is made more of a break for low-income people on their property tax, that does target anybody who is of low income and was using the land cap. She said there were about 59 people out of 6,000 who took advantage of using the land cap in that program.

SEN. DEVLIN asked if that would be just in that jurisdiction, and **Ms. Paynter** said that on either one of those programs, it could be anywhere statewide, but in the jurisdiction where they used the land caps, it was about 6,000 people who used it and only 59 qualified for the low-income property tax abatement program.

SEN. DEVLIN asked where that money comes from. **Ms. Paynter** said it comes from every program which received property tax, the low income property tax program, every jurisdiction, within that jurisdiction, and the General Fund also takes its share of the reduction because less is received from the 95 mills and 6 mills.

SEN. STANG asked if only 59 people out of these 6,000 received that, there probably wasn't that many low-income people, but the cap for that program is \$20,000. So if we wanted to capture more people into that, we should raise the cap. He said there would be a hit on the General Fund and some of the local jurisdictions, but it keeps the taxes in the same jurisdiction as the tax break.

Ms. Paynter said that when the income level is changed that is necessary to qualify for the low-income property, which is \$16,000 for the single and \$21,000 for married and head of household, and as you try to take the money that would come from the land cap change, that taxable value increase, and give that taxable value decrease to lower-income folks, you can't be guaranteed that it stays within the same district.

SEN. STANG said if the land cap had never been in there, what would have been the effect of just increasing the income threshold and not changing the multipliers. **Ms. Paynter** said there are two programs, the property tax assistance program. If it came out of that program, the impact is felt by the government or the programs that use property tax. If you were dealing with the elderly homeowner credit, that comes out of the General Fund.

SEN. STANG asked how the Department of Revenue perceives this amendment working and where the money would come from to take care of this amendment. **Ms. Paynter** said she believes that this credit is supposed to come from the income tax.

SEN. STANG asked **SEN. DEPRATU** if this amendment is not just aimed at the elderly, but is aimed at anybody who has a low income that may have had some of that 75 percent property and their taxes have gone out of whack. He asked whether this amendment was specifically for elderly, or for low or middle income people that have this property, because we would like to keep it in Montanan's hands. **SEN. DEPRATU** said he feels that this is a little bit difference circumstances than the two programs already available, in that there is a phenomenon of high-end development in some areas which causes taxes in the area to increase substantially. He referred to the newspaper article that had been handed out, **EXHIBIT(2)**. **SEN. STANG** said he feels that the 75 percent land cap could have been challenged, and getting rid of that cap is the right thing to do. He said he still feels that best way would be to work within the current system by raising the low-income credit and encouraging people to take advantage of it, and it would work with the current system.

SEN. ELLIS said if increasing the credits is a good idea, he didn't feel that it should be taken up on the last day of this session. He said this whole mess has arisen because that was done in the waning moments of the last session. He said this only affects 6,000 taxpayers in the state today, and this amendment will only affect a small fraction of that number. He said while this might not be a solution to this problem, it is an adequate one to get us into a 90-day session when this issue can be studied again and a better solution possibly created. He said this amendment is a better way to handle the problem for the next year, and recommended passage.

SEN. COCCHIARELLA asked **SEN. DEPRATU** if he could explain what this really does, and whether he intended for the income cap to be at \$120,000. She wondered what the impact was and from where it would come. **SEN. DEPRATU** said that his intent was a total income of \$60,000, not that it could be double-dipped to \$120,000. He said his purpose was to help these 6,000 people whose property taxes are going to jump again. If something is not done, a lot of people will be pushed off their properties because they are low to middle class with property that is high-value. This amendment was created to help those who were harmed yesterday.

SEN. COCCHIARELLA asked if we would amend the amendment to \$30,000 and still wondered about the impacts and where they came from. **SEN. DEPRATU** said his total preference would be to take off the amendment from yesterday and work on it in a more timely manner next session.

SEN. DEVLIN referred to the third page of the Fiscal Note which reflects what the amendment from yesterday did to the General Fund. He said it was not possible to determine whether the local government will keep the change or if they'll reduce the mills to make it a wash, but the impact to the General Fund is on the Fiscal Note, Item 13.

SEN. ECK said she was concerned that we are making the tax codes a lot more confusing. She said that if a cap is put on, it should have the same requirements as the low-income one has, which means it would include all kinds of income. She said we have worked to simplify the tax codes, and this does just the opposite.

SEN. COLE said that if "taxpayer" is taken out and replaced with "household," and use "federal," that that would make it work.

Motion: **SEN. DEPRATU** MOVED TO WITHDRAW HIS PREVIOUS MOTION AND WOULD MOVE TO RESCIND HB000406.ALH.

SEN. DEPRATU said that if this motion could pass, he would work next session towards looking at the total picture of this and its effects. He said he thought the whole process in this matter had been done too quickly and this would allow more time for study at the regular session.

Discussion:

SEN. STANG said that he would argue against this motion for the same reasons he voted for the amendment the previous day. He said what we've done in these areas is to create two classes of homeowners, those with expensive houses and those with property that is valued differently. He said neighbors with adjoining properties can be valued at different values. He said he believes this puts the State and the Department in a very

precarious position of treating taxpayers within the same class unequally. He felt that the best thing that could be done would be to put things back the way it was before it was screwed up the last session and let the regular session deal with the problem.

SEN. ELLIS said his opinion of the situation is much like

SEN. STANG; however, he believes that there are people that this matter deals with that are going to be drastically hurt if this exclusion is not kept in the law until the next session. He said the situation should be studied a little longer and dealt with in the regular session. He said he would support the motion.

SEN. COCCHIARELLA said that she could support this motion if a sunset could be put in the law on the land cap provision so that it has to be dealt with next session. **SEN. GROSFIELD** asked if the sunset would be December 31, 2001. **SEN. STANG** said it would have to end on a tax year, which would be a calendar year. He said regardless of what is done with this issue, for 2000 it is effective. He said he would support the amendment and a sunset of 2001.

Mr. Heiman suggested that **HB000406.alh** be kept in the bill and an effective date be added at the end providing that that amendment will become effective on December 31, 2001.

SEN. STANG said he would rather see it end December 31, 2000. He said that wouldn't screw up anybody's taxes, it wouldn't raise anybody's taxes, but it also wouldn't get them into a comfortable situation where they think they're going to get it forever.

SEN. DEVLIN stressed that this is an effective date, not a sunset, and there would be a legislative session to deal with this in 2001, and if they don't address it, this amendment goes into effect at the end of 2001.

{Tape : 1; Side : A; Approx. Time Counter : 51.4}

Motion: **SEN. DEPRATU** moved that **AMENDMENT HB000406.ALH BECOME EFFECTIVE DECEMBER 31, 2001.**

Discussion:

SEN. STANG said he would rather see the effective date of that amendment January 1, 2001 or December 31, 2000, so that that amendment automatically goes into effect, and if the legislature doesn't deal with the issue, then we're done with it. It needs to go into effect to force the legislature to deal with it.

SEN. ELLIS said that it appeared to him that this was semantics. He said the effective date that **SEN. DEPRATU** is talking about is in the middle of the next biennium, so if it is not dealt with, it's over before the legislature meets in 2003. He said this forces the legislature to deal with it either way, and he could live with either way, but the motion has been made and needs to be dealt with.

SEN. DEVLIN asked if **Ms. Paynter** could clarify this matter.

Ms. Paynter said that the land cap would be gone January 1, 2001, with the amendment from yesterday, so for tax year 2001, there is no land cap going to be in existence. She said people are paying their property bills from 2000 in November of 2000 and May of 2001, but the amendment yesterday made the land cap nonexistent as of January 1, 2001.

SEN. DEPRATU said that his amendment says this becomes effective December 31, 2001. **Ms. Paynter** said that with the amendment, the land cap stays on one more year. **SEN. DEPRATU** said that was his desire.

SEN. DEVLIN reminded the committee that what was being discussed was the effective date of the amendment from yesterday, which would be December 31, 2001.

SEN. ELLIS said he did not believe the amendment was necessary, because the session will be over for seven months before December 31, 2001, rolls around, so the legislature has clear opportunity to change this amendment without any further messing around.

SEN. DEPRATU asked if **Ms. Paynter** could clarify further what has been discussed. **Ms. Paynter** said that the committee should understand that as the bill stands with yesterday's amendment, when the legislature meets on January 1, 2001, the land cap is gone. She said **SEN. DEPRATU** would like the land cap to still be there so it would encourage the legislature to deal with the land cap question.

SEN. ELLIS asked, if the land cap were removed and the legislature meeting in January deals with this question, whether anyone's taxes would go up during the ensuing property tax period. Ms. Paynter said that in tax year 2001, when it is being dealt with, no one would have an increase in taxes.

SEN. DEPRATU said he stood by his request for this amendment, and he believes that it will be dealt with in a retroactive basis if it is passed as-is. He urged a do pass.

SEN. STANG said he would speak in opposition to the amendment because he would prefer that it be effective as of December 31, 2000. The legislature could still deal with it in 2001 and make any changes at that time. SEN. COCCHIARELLA agreed that without the amendment there is more pressure for the legislature to deal with this issue.

{Tape : 1; Side : B; Approx. Time Counter : 0.7}

Vote: Motion carried 8-4 with Cocchiarella, Eck, Ellingson and Stang voting no. (Roll call vote)

Motion: SEN. DEPRATU moved MR. HEIMAN BE GIVEN THE AUTHORITY TO MAKE ANY MINOR TECHNICAL CHANGES NECESSARY TO THIS BILL.

Discussion: None.

Vote: Motion carried unanimously.

Motion: SEN. GLASER moved that HB 4 BE CONCURRED IN AS AMENDED.

SEN. GLASER said that everybody knew what was in the bill, and the Fiscal Note reflects everything that's been discussed for days.

Discussion: None.

Vote: Motion carried unanimously.

SEN. GLASER WILL CARRY ON THE FLOOR.